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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-NINTH LEGISLATURE

**Bill 2**

(2009, chapter 5)

**An Act giving effect to the Budget Speech  
delivered on 24 May 2007, to the 1 June 2007  
Ministerial Statement Concerning the  
Government's 2007–2008 Budgetary Policy  
and to certain other budget statements**

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**Introduced 17 March 2009****Passed in principle 2 April 2009****Passed 14 May 2009****Assented to 15 May 2009**

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## EXPLANATORY NOTES

*This Act amends various legislation to give effect to budgetary measures announced, for the most part, in the Budget Speech delivered on 24 May 2007, in the 1 June 2007 Ministerial Statement Concerning the Government's 2007-2008 Budgetary Policy and in Information Bulletins published by the Ministère des Finances in 2006 and 2007.*

*It amends the Act respecting prescription drug insurance and the Act respecting the Régie de l'assurance maladie du Québec, in particular to change the rate of adjustment of the premium paid under the Québec prescription drug insurance plan.*

*It 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 reduction of personal income tax;*
- (2) the implementation of a refundable tax credit to promote education savings;*
- (3) the replacement of the tax credit for adult children who are students by a mechanism for the transfer of an unused portion of a student's basic tax credit to the student's parents;*
- (4) the implementation of a mechanism for the transfer of the unused portion of a student's tax credit for tuition fees and examination fees to any of the student's parents and grandparents;*
- (5) the simplification and improvement of the refundable tax credit for child care expenses;*
- (6) the improvement of the tax credit for retirement income;*
- (7) the implementation of a refundable tax credit for persons providing respite to informal caregivers;*
- (8) the enhancement of the refundable tax credit for individuals living in a northern village;*
- (9) changes in the tax rates applicable to the income of corporations;*

(10) the elimination of the tax on capital on 1 January 2011 and the reduction of the rate of that tax until its elimination;

(11) an increase in the tax on capital exemption granted to corporations that carry on a farming or fishing business;

(12) the enhancement of the capital tax credit;

(13) the elimination of separate elections for Québec purposes and the synchronization of fiscal periods; and

(14) the tax treatment of assistance received by subcontractors for the application of certain special taxes.

This Act amends the Act respecting the Ministère du Revenu to, among other things, establish a specific offence for merchants who issue receipts that do not correspond to actual transactions.

It amends the Act respecting the Québec Pension Plan to change the time granted to an employee to pay an optional premium under the Québec Pension Plan.

It amends the Act respecting the Québec sales tax to raise to \$2,000 the maximum refundable amount of the Québec sales tax paid on a new hybrid vehicle and to lift the restriction preventing large businesses from obtaining an input tax refund in respect of certain road vehicles as far as new hybrid vehicles are concerned.

It also amends the Taxation Act to make amendments similar to those made to the Income Tax Act of Canada by Bill C-28 (Statutes of Canada, 2007, chapter 2), assented to on 21 February 2007, and by Bill C-52 (Statutes of Canada, 2007, chapter 29), assented to on 22 June 2007. The Act thus gives effect to harmonization measures announced, for the most part, in the Budget Speeches delivered on 23 March 2006 and 24 May 2007 and in Information Bulletins published by the Ministère des Finances in 2005, 2006 and 2007. More specifically, the amendments deal with

(1) the splitting of retirement income;

(2) the fiscal treatment of specified investment flow-through (SIFT) entities; and

(3) the fiscal treatment applicable to taxable dividends.

*It further amends the Taxation Act to give effect to measures announced in the Budget Speeches delivered on 12 June 2003 and 23 March 2006 and in Information Bulletin 2003-7, published on 12 December 2003 by the Ministère des Finances. More specifically, the amendments deal with*

*(1) the tax treatment of an amount received under a non-competition clause;*

*(2) the rules relating to expenditures matchable with a right to receive production; and*

*(3) the limitation of the tax benefits arising from charitable donations made under tax shelter arrangements and other gifting arrangements.*

*In addition, this Act amends the Act respecting the Québec sales tax to make amendments similar to those made to the Excise Tax Act in particular by Bill C-40 (Statutes of Canada, 2007, chapter 18) and by Bill C-52 (Statutes of Canada, 2007, chapter 29), both assented to on 22 June 2007, and by Bill C-28 (Statutes of Canada, 2007, chapter 35), assented to on 14 December 2007. It thus gives effect to harmonization measures announced, for the most part, in the Budget Speeches delivered on 12 June 2003 and 24 May 2007, in the Supplement to the Government's Budgetary Policy of 19 March 2002 and in Information Bulletins published by the Ministère des Finances in 2001, 2003, 2005, 2006 and 2007. More specifically, the amendments deal with*

*(1) the exemption of midwifery and speech-language pathology services as well as the exemption of services rendered in the practise of the profession of social work;*

*(2) the zero-rated status of certain products;*

*(3) the zero-rated status of supplies of incorporeal movable property to persons that are not resident in Québec; and*

*(4) the exclusion of refundable beverage container charges from the QST tax base.*

*Lastly, this Act amends other legislation to make various technical amendments as well as consequential and terminology-related amendments.*

**LEGISLATION AMENDED BY THIS ACT:**

- Act respecting prescription drug insurance (R.S.Q., chapter A-29.01);
- Act respecting international financial centres (R.S.Q., chapter C-8.3);
- Public Curator Act (R.S.Q., chapter C-81);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);
- Act respecting the Régie de l'assurance maladie du Québec (R.S.Q., chapter R-5);
- Act respecting 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);
- Fuel Tax Act (R.S.Q., chapter T-1);
- Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85);
- Act to again amend the Taxation Act and other legislative provisions (2006, chapter 36).



## Bill 2

### AN ACT GIVING EFFECT TO THE BUDGET SPEECH DELIVERED ON 24 MAY 2007, TO THE 1 JUNE 2007 MINISTERIAL STATEMENT CONCERNING THE GOVERNMENT'S 2007–2008 BUDGETARY POLICY AND TO CERTAIN OTHER BUDGET STATEMENTS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

#### ACT RESPECTING PRESCRIPTION DRUG INSURANCE

**1.** (1) Section 23 of the Act respecting prescription drug insurance (R.S.Q., chapter A-29.01) is amended by replacing “\$422” by “\$557”.

(2) Subsection 1 has effect from 1 July 2007.

**2.** (1) Section 24 of the Act is amended by striking out paragraph 4.

(2) Subsection 1 has effect from 1 July 2007.

**3.** (1) The Act is amended by inserting the following section after section 24:

**“24.1.** Persons 65 years of age or over throughout a calendar year who receive monthly guaranteed income supplements in the year under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9), the aggregate of which supplements represents at least 94% of the maximum amount that may be paid in that respect annually, are exempted from payment of the premium for that year.”

(2) Subsection 1 has effect from 1 January 2007.

#### ACT RESPECTING INTERNATIONAL FINANCIAL CENTRES

**4.** (1) Section 65 of the Act respecting international financial centres (R.S.Q., chapter C-8.3) is amended by replacing the third paragraph by the following paragraph:

“For the purposes of subparagraph 2 of the second paragraph, the following rules apply:

(1) if the individual is a member of a partnership in a taxation year, the individual's share of the income or loss of the partnership for a fiscal period that ended in the year must be considered to be earned or sustained during the part of the year referred to in that subparagraph 2 if the partnership's fiscal period ends in that part of the year, and to be earned or sustained during another part of the year if the partnership's fiscal period ends in that other part of the year; and

(2) if the individual includes an amount in computing the individual's income for a taxation year under section 313.11 of the Taxation Act, the amount must be considered to be income earned by the individual on the last day of that year."

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

#### PUBLIC CURATOR ACT

**5.** Section 24.1 of the Public Curator Act (R.S.Q., chapter C-81) is amended by replacing "on the seventieth birthday of the annuitant or employee" in paragraph 9 by "at the end of the year in which the annuitant or employee reaches 71 years of age".

#### TAXATION ACT

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

(1) by replacing the definition of "taxation year" by the following definition:

""taxation year" means

(a) in the case of a corporation, a fiscal period;

(b) in the case of an individual, other than a testamentary trust, a calendar year; and

(c) in the case of a testamentary trust, the particular period for which the trust's accounts are made up for purposes of assessment under this Part, which particular period,

i. if it begins at a time after 20 December 2006, must end at the end of the period that includes that time and for which the accounts are made up for purposes of assessment under the Income Tax Act, or

ii. if it includes 20 December 2006, must end at the time at which ends the period that includes that day and for which the accounts are made up for purposes of assessment under the Income Tax Act, unless the period



for which the trust's accounts are made up for purposes of assessment under the Income Tax Act that includes 20 December 2006 ends more than 12 months after the time at which the particular period begins;”;

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

““eligible dividend” means an amount, in respect of a person resident in Canada, that is deemed to be a taxable dividend received by the person under section 603.1 or 663.4, or a taxable dividend that is paid after 23 March 2006 by a corporation resident in Canada, that is received by a person resident in Canada and that

(a) is designated, in accordance with subsection 14 of section 89 of the Income Tax Act, as an eligible dividend for the purposes of that Act; or

(b) if it is included in a particular amount that is deemed to be a dividend or taxable dividend, corresponds, without exceeding the particular amount, to the portion, designated, in accordance with subsection 14 of section 89 of the Income Tax Act, as an eligible dividend for the purposes of that Act, of the amount, corresponding to the particular amount, that is deemed to be a dividend or taxable dividend for the purposes of that Act;”;

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

““SIFT trust” has the meaning assigned by the first paragraph of section 1129.70;”;

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

““SIFT partnership” has the meaning assigned by the first paragraph of section 1129.70;”;

(5) by striking out “and in paragraph *a* of the definition of “earned income” set out in section 1029.8.67” in the definition of “salary or wages”.

(2) Paragraph 1 of subsection 1 has effect from 20 December 2006. In addition, when the definition of “taxation year” in section 1 of the Act applies after 20 December 2002 and before 20 December 2006, it is to be read as follows:

““taxation year” means

(a) in the case of a corporation, a fiscal period;

(b) in the case of an individual, other than a testamentary trust, a calendar year; and

(c) in the case of a testamentary trust, the period for which the trust's accounts are made up for purposes of assessment under this Part;”.

(3) Paragraph 2 of subsection 1 applies to a taxation year that ends after 23 March 2006. However, when the portion of the definition of “eligible dividend” in section 1 of the Act before paragraph *a* applies before 31 October 2006, it is to be read as follows:

““eligible dividend” means a taxable dividend that is paid after 23 March 2006 by a corporation resident in Canada, that is received by a person resident in Canada and that”.

(4) Paragraphs 3 and 4 of subsection 1 have effect from 31 October 2006.

(5) Paragraph 5 of subsection 1 applies from the taxation year 2007.

**7.** (1) The Act is amended by inserting the following section after section 1.7:

**“1.8.** In this Act and the regulations, “agreed proportion”, in respect of a member of a partnership for a fiscal period of the partnership, means the proportion that the member’s share of the income or loss of the partnership for the partnership’s fiscal period is of the partnership’s income or loss for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership’s income for that fiscal period is equal to \$1,000,000.”

(2) Subsection 1 has effect from 21 December 2002.

**8.** Section 2.1.3 of the Act is amended by replacing “assigned” wherever it appears in paragraphs *a* and *b* by “distributed”.

**9.** (1) Section 6.1 of the Act is replaced by the following section:

**“6.1.** If a corporation’s fiscal period referred to in the second or fourth paragraph of section 7 exceeds 365 days, otherwise than because of an election described in paragraph *c* of subsection 3.1 or 4 of section 249 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and for that reason the corporation does not have a taxation year that ends in a particular calendar year, for the purposes of this Part the corporation’s first taxation year ending in the calendar year that follows the particular calendar year is deemed to end on the last day of the particular calendar year.”

(2) Subsection 1 has effect from 20 December 2006.

**10.** (1) The Act is amended by inserting the following section after section 6.1:

**“6.1.1.** If at a particular time a corporation becomes or ceases to be a Canadian-controlled private corporation, otherwise than because of an acquisition of control to which section 6.2 would, but for this section, apply

and subsections 3.1 and 4 of section 249 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) do not apply to the corporation in respect of the change of status, the following rules apply:

(a) the corporation's taxation year that would, but for this section, include the particular time is deemed to end immediately before that time; and

(b) a new taxation year of the corporation is deemed to begin at the particular time and end at the time at which the corporation's taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ends.

Chapter V.2 applies in relation to an election made under subparagraph iii of paragraph *c* of subsection 3.1 of section 249 of the Income Tax Act.”

(2) Subsection 1 applies to a taxation year that ends after 31 December 2005. However, when section 6.1.1 of the Act

(1) applies before 20 December 2006, it is to be read as follows:

**“6.1.1.** If at any time a corporation becomes or ceases to be a Canadian-controlled private corporation, otherwise than because of an acquisition of control to which section 6.2 would, but for this section, apply, the following rules apply:

(a) subject to paragraph *c*, the corporation's taxation year that would, but for this section, include that time is deemed to end immediately before that time;

(b) a new taxation year of the corporation is deemed to begin at that time;

(c) despite the definition of “taxation year” in section 1 and sections 5 and 6.1, the corporation's taxation year that would, but for this section, have been its last taxation year that ended before that time is deemed to end immediately before that time if

i. that taxation year would have ended, but for this paragraph and otherwise than because of section 779, Chapter I of Title I.1 of Book VI or paragraph *a* of section 851.22.23 or 999.1, within the 7-day period that ended immediately before that time,

ii. within the 7-day period that ended immediately before that time, no person or group of persons acquired control of the corporation, and the corporation did not become or cease to be a Canadian-controlled private corporation, and

iii. the corporation elects, in its fiscal return under this Part for that taxation year, to have this paragraph apply in respect of that taxation year; and

(d) for the purpose of determining the corporation's fiscal period after that time, the corporation is deemed not to have established a fiscal period before that time.”; and

(2) has effect after 19 December 2006 and applies in respect of a corporation's change of status that occurred before 20 December 2006, it is to be read as follows:

**“6.1.1.** If at any time a corporation becomes or ceases to be a Canadian-controlled private corporation, otherwise than because of an acquisition of control to which section 6.2 would, but for this section, apply, the following rules apply:

(a) subject to subparagraph *c*, the corporation's taxation year that would, but for this section, include that time is deemed to end immediately before that time;

(b) a new taxation year of the corporation is deemed to begin at that time;

(c) despite the definition of “taxation year” in section 1 and sections 5 and 6.1, the corporation's taxation year that would, but for this section, have been its last taxation year that ended before that time is deemed to end immediately before that time if

i. that taxation year would have ended, but for this subparagraph *c* and otherwise than because of section 779, Chapter I of Title I.1 of Book VI or paragraph *a* of section 851.22.23 or 999.1, within the 7-day period that ended immediately before that time,

ii. within the 7-day period that ended immediately before that time, no person or group of persons acquired control of the corporation, and the corporation did not become or cease to be a Canadian-controlled private corporation, and

iii. the corporation makes a valid election under subparagraph iii of paragraph *c* of subsection 3.1 of section 249 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the corporation's change of status; and

(d) for the purpose of determining the corporation's fiscal period after that time, the corporation is deemed not to have established a fiscal period before that time.

Chapter V.2 applies in relation to an election made under subparagraph iii of paragraph *c* of subsection 3.1 of section 249 of the Income Tax Act or in relation to an election made under subparagraph iii of subparagraph *c* of the first paragraph before 20 December 2006.”

**11.** (1) Section 6.2 of the Act is replaced by the following section:

**“6.2.** For the purposes of this Part, if at a particular time control of a corporation (other than a corporation that is a foreign affiliate of a taxpayer resident in Canada and that did not carry on a business in Canada in its last taxation year beginning before the particular time) has been acquired by a person or group of persons and subsection 4 of section 249 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) does not apply to the corporation in respect of the acquisition of control, the following rules apply:

(a) the corporation’s taxation year that would, but for this subparagraph, have included the particular time is deemed to have ended immediately before that time; and

(b) a new taxation year of the corporation is deemed to begin at the particular time and end at the time at which the corporation’s taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ends.

Chapter V.2 applies in relation to an election made under paragraph *c* of subsection 4 of section 249 of the Income Tax Act.”

(2) Subsection 1 applies in respect of an acquisition of control that occurs after 19 December 2006. In addition, if section 6.2 of the Act has effect after 19 December 2006 and applies in respect of an acquisition of control that occurred before 20 December 2006, it is to be read

(1) as if paragraph *c* was replaced by the following paragraph:

“(c) subject to section 779, Chapter I of Title I.1 of Book VI and paragraph *a* of sections 851.22.23 and 999.1, and notwithstanding the definition of “taxation year” in section 1 and sections 5 and 6.1, where the taxation year of the corporation that would, but for this section, have been its last taxation year that ended before that time would, but for this subparagraph, have ended within the seven-day period that ended immediately before that time, that taxation year is, except where control of the corporation was acquired by a person or group of persons within that period, deemed to end immediately before that time where the corporation makes a valid election under paragraph *c* of subsection 4 of section 249 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the acquisition of control; and”;

(2) as if the following paragraph was added:

“Chapter V.2 applies in relation to an election made under paragraph *c* of subsection 4 of section 249 of the Income Tax Act or in relation to an election made under subparagraph *c* of the first paragraph before 20 December 2006.”

**12.** (1) The Act is amended by inserting the following sections after section 6.2:

**“6.3.** Subject to the second paragraph, the period for which a testamentary trust’s accounts are made up for purposes of assessment under this Part may not exceed 12 months and no change in the time at which that period ends may be made without the concurrence of the Minister.

However, the first paragraph does not apply in respect of a period for which a testamentary trust’s accounts are made up for purposes of assessment under this Part that, in accordance with subparagraph i or ii of paragraph c of the definition of “taxation year” in section 1, ends at the time at which the period for which the testamentary trust’s accounts are made up for the purposes of assessment under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), ends.

For the purposes of paragraph c of the definition of “taxation year” in section 1, the period, including a particular day, for which a testamentary trust’s accounts are made up for purposes of assessment under the Income Tax Act is deemed to end at the time at which the taxation year of the trust that includes that day is deemed to end, for the purposes of that Act.

**“6.4.** If, at a particular time after 20 December 2002, the taxation year (determined for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement)) of a trust or succession is deemed to end, in accordance with paragraph b of subsection 6 of section 249 of that Act and for the purposes of that Act, immediately before the particular time, a new taxation year of the trust or succession is deemed to have begun at the particular time.”

(2) Subsection 1, when it enacts the first paragraph of section 6.3 of the Act, has effect from 21 December 2002 and, when it enacts the second and third paragraphs of that section, from 20 December 2006.

(3) Subsection 1, when it enacts section 6.4 of the Act, has effect from 19 July 2005. However, when section 6.4 of the Act applies in respect of a taxation year that consists in a period other than a period described in subparagraph i or ii of paragraph c of the definition of “taxation year” in section 1 of the Act, enacted by section 6, it is to be read as follows:

**“6.4.** If, at a particular time after 20 December 2002, a transaction or event described in any of subparagraphs b to d of the second paragraph of section 677 occurs and as a result of that occurrence a trust or succession is not a testamentary trust, the following rules apply:

(a) the fiscal period for a business or property of the trust or succession that would, if this Part applied without reference to this section and those subparagraphs, have included the particular time is deemed to have ended immediately before the particular time;

(b) the taxation year of the trust or succession that would, if this Part applied without reference to this section and those subparagraphs, have included the particular time is deemed to have ended immediately before the particular time;

(c) a new taxation year of the trust or succession is deemed to have begun at the particular time; and

(d) for the purpose of determining the fiscal period for a business or property of the trust or succession after the particular time, the trust or succession is deemed not to have established a fiscal period before that time.”

(4) In addition, when a trust or succession so elects in writing by filing the election with the Minister of Revenue on or before its filing-due date for its taxation year that includes 15 May 2009, section 6.4 of the Act, enacted by subsection 3, has effect from 21 December 2002 in respect of a taxation year of the trust or succession that consists in a period other than a period described in subparagraph i or ii of paragraph c of the definition of “taxation year” in section 1 of the Act.

**13.** (1) Section 7 of the Act is amended

(1) by replacing “In” in the first paragraph by “Subject to the second, third and fourth paragraphs, in”;

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

“A fiscal period of a business or property of a person or partnership, other than a fiscal period referred to in the third or fourth paragraph, may not end”;

(3) by replacing “paragraph c of section 1121.7” in subparagraph i.1 of subparagraph b of the second paragraph by “subparagraph c of the first paragraph of section 1121.7, as it read in respect of the fiscal period,”;

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

“A fiscal period of a business or property of a person or partnership that consists in a period that begins at a particular time after 20 December 2006 must end at the end of the period, including that time, that is a fiscal period of the business or property for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

“In addition, the particular fiscal period of a business or property of a person or partnership that consists in a period that includes 20 December 2006 must end at the end of the period, including that day, that is a fiscal period of the business or property for the purposes of the Income Tax Act, unless the fiscal period of the business or property (determined for the purposes of the

Income Tax Act) that includes 20 December 2006, ends, in the case of a corporation, more than 53 weeks after the time at which the particular fiscal period begins and, in any other case, more than 12 months after that time.

“For the purposes of the third and fourth paragraphs, a fiscal period of a corporation that, for the purposes of the Income Tax Act, includes a particular day is deemed to end at the time at which the taxation year of the corporation that includes that day is deemed to end, for the purposes of that Act.”

(2) Subsection 1 has effect from 20 December 2006.

**14.** (1) Section 7.0.3 of the Act is replaced by the following section:

**“7.0.3.** Where a business is carried on, throughout the period of time that began at the beginning of a particular fiscal period referred to in the second paragraph of section 7, of the business, that includes a particular day, and ended at the end of the calendar year in which the fiscal period began, by an individual, otherwise than as a member of a partnership, or by an individual as a member of a partnership if, throughout that period of time, each member of the partnership is an individual and the partnership is not a member of another partnership, and where the individual makes, after 19 December 2006, a valid election under subsection 4 of section 249.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the fiscal period or a previous fiscal period, subparagraph *b* of the second paragraph of section 7 does not apply to the particular fiscal period and the particular fiscal period must end at the end of the period that includes the particular day and that is a fiscal period of the business for the purposes of the Income Tax Act.

Chapter V.2 applies in relation to an election made under subsection 4 of section 249.1 of the Income Tax Act in respect of a fiscal period referred to in the second paragraph of section 7 or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**15.** (1) Section 7.0.4 of the Act is amended by replacing “Section 7.0.3” by “The first paragraph of section 7.0.3”.

(2) Subsection 1 has effect from 20 December 2006.

**16.** (1) Section 7.0.5 of the Act is replaced by the following section:

**“7.0.5.** The first paragraph of section 7.0.3 does not apply to a fiscal period of a business carried on by an individual if the individual makes, after 19 December 2006, a valid election under subsection 6 of section 249.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) that applies in respect of the fiscal period.



Chapter V.2 applies in relation to an election made under subsection 6 of section 249.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**17.** (1) Section 7.0.6 of the Act is amended by inserting “referred to in the second paragraph of section 7” after “fiscal period”.

(2) Subsection 1 has effect from 20 December 2006.

**18.** Section 7.1 of the Act is amended by replacing the portion before paragraph *a* by the following:

“**7.1.** A transfer, distribution or acquisition of property is deemed, for the purposes of this Part, to be made as a consequence of the death of a taxpayer or of the taxpayer’s spouse if it is made”.

**19.** (1) The Act is amended by inserting the following section after section 7.11:

“**7.11.0.1.** Sections 7.9, 7.10 and 7.11 do not apply to a usufruct or a right of use of an immovable property when a taxpayer disposes of the bare ownership of the immovable property in the course of a gift to a donee described in any of the definitions of “total charitable gifts”, “total Crown gifts” and “total gifts of qualified property” in the first paragraph of section 752.0.10.1 and retains, for life, the usufruct or the right of use.”

(2) Subsection 1 applies in respect of a disposition that occurs after 18 July 2005.

**20.** (1) Section 7.11.2 of the Act is amended by adding the following paragraph:

“If the property referred to in the first paragraph is deemed to be taxable Canadian property of the particular trust because of subparagraph *d* of the first paragraph of section 301, any of sections 521, 538, 540.2 and 554, subparagraph *c* of the second paragraph of section 614 or subparagraph *d.1* of the first paragraph of section 688, the property is deemed to be taxable Canadian property of the other trust.”

(2) Subsection 1 applies in respect of a transfer made after 23 December 1998.

**21.** (1) Section 7.11.4 of the Act is amended by replacing subparagraph *i* of paragraph *b* by the following subparagraph:

“*i.* the unit is capital property and that amount is not proceeds of disposition of a capital interest in the trust, or”.

(2) Subsection 1 applies in respect of a unit issued after 20 December 2002.

**22.** (1) Section 7.18.1 of the Act is amended by inserting “paragraph c of section 898.1.1,” after “649,”.

(2) Subsection 1 has effect from 1 January 1998.

**23.** (1) The Act is amended by inserting the following after section 7.19:

**“7.19.1.** For the purposes of this Act, if a particular provision of the Act refers to a valid election made under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and the Minister of National Revenue has agreed, in giving effect to an application filed for that purpose by a person, legal representative or partnership otherwise than under a provision of the Income Tax Act that specifically provides for such an application, to allow, for the purposes of that Act, the election provided for in the provision of that Act to which the particular provision refers to be made late, amended or rescinded at any time, the following rules apply:

(a) the election made late or the election, in its amended form, is deemed to be a valid election made at that time; and

(b) the election, before its being amended, or the election that has been rescinded, is deemed never to have been made.

Sections 21.4.14 and 21.4.15 apply, with the necessary modifications, to this section.

## “CHAPTER I.1

### “RULES RELATING TO GIFTS

**“7.20.** The existence of an amount of an advantage in respect of a transfer of property does not disqualify the transfer from being a gift to a qualified donee, provided that

(a) the amount of the advantage does not exceed 80% of the fair market value of the transferred property; or

(b) the transferor of the property establishes to the satisfaction of the Minister that the transfer was made with the intention to make a gift.

**“7.21.** The eligible amount of a gift is equal to the amount by which the fair market value of the property that is the subject of the gift exceeds the amount of the advantage, if any, in respect of the gift.

However, if a taxpayer disposes of the bare ownership of a work of art or of a cultural property described in the third paragraph of section 232 in the course of a recognized gift with reserve of usufruct or use, the eligible amount of the gift is equal to the amount by which the fair market value of the gift, determined under the rules of paragraph *b* of section 710.4 or 752.0.10.4.2, exceeds the amount of the advantage in respect of the gift, other than the usufruct or right of use.

**“7.22.** The amount of the advantage in respect of a gift made by a taxpayer is equal to the aggregate of

(*a*) the aggregate of all amounts, other than an amount referred to in paragraph *b*, each of which is an amount equal to the value, at the time the gift is made, of a property, service, compensation, use or other benefit that the taxpayer, or a person or partnership who does not deal at arm’s length with the taxpayer, has received, obtained or enjoyed, or is entitled, either immediately or in the future and either absolutely or contingently, to receive, obtain, or enjoy

- i. that is consideration for the gift,
- ii. that is in gratitude for the gift, or
- iii. that is in any other way related to the gift; and

(*b*) the limited-recourse debt, determined under section 851.41.1, in respect of the gift at the time the gift is made.

**“7.23.** The cost to a taxpayer of a property, acquired by the taxpayer in circumstances where section 7.22 applies to include the value of the property in computing the amount of the advantage in respect of a gift, is equal to the fair market value of the property at the time the gift is made.

**“7.24.** If at any time in a taxation year a taxpayer has paid an amount (in this section referred to as the “repaid amount”), on account of the principal amount of an indebtedness which was, before that time, an unpaid principal amount that was a limited-recourse debt referred to in section 851.41.1 (in this section referred to as the “former limited-recourse debt”), in respect of a gift (in this section referred to as the “original gift”) of the taxpayer, otherwise than by way of an assignment or transfer of a guarantee, security or similar covenant, or by way of a payment in respect of which a taxpayer referred to in section 851.41.1 has incurred an indebtedness that would be a limited-recourse debt referred to in that section if that indebtedness were in respect of a gift made at the time that that indebtedness was incurred, the taxpayer is deemed, for the purposes of sections 710 to 716.0.3 and 752.0.10.1 to 752.0.10.18 and if the former limited-recourse debt is in respect of the original gift, to have made in the taxation year a gift to a qualified donee, the eligible amount of which deemed gift is equal to the amount by which

the amount that would have been the eligible amount of the original gift, if the aggregate of all such repaid amounts paid at or before that time were paid immediately before the original gift was made, exceeds the aggregate of the eligible amount of the original gift and the eligible amount of all other gifts deemed under this section to have been made before that time in respect of the original gift.

**“7.25.** For the purposes of section 7.21, paragraph *c* of section 422 and sections 716 and 752.0.10.12, the fair market value of a property that is the subject of a gift made by a taxpayer to a qualified donee is deemed to be equal to the lesser of the fair market value of the property otherwise determined and the cost or, in the case of a capital property, the adjusted cost base, of the property to the taxpayer immediately before the gift is made if

(a) the taxpayer acquired the property under a gifting arrangement that is a tax shelter as defined in section 1079.1; or

(b) unless the gift is made as a consequence of the taxpayer’s death,

i. the taxpayer acquired the property less than 3 years before the day that the gift is made, or

ii. the taxpayer acquired the property less than 10 years before the day that the gift is made and it is reasonable to conclude that, at the time the taxpayer acquired the property, one of the main reasons for the acquisition was to make a gift of the property to a qualified donee.

**“7.26.** If a taxpayer acquired a property that is the subject of a gift to which section 7.25 applies because of subparagraph i or ii of paragraph *b* of that section and the property was, at any time within the 3-year or 10-year period that ends when the gift is made, acquired by a person or partnership with whom the taxpayer does not deal at arm’s length, for the purpose of applying section 7.25 to the taxpayer, the cost or, in the case of a capital property, the adjusted cost base, of the property to the taxpayer immediately before the gift is made is deemed to be equal to the lowest amount that is the cost or, in the case of a capital property, the adjusted cost base, to the taxpayer or that person or partnership immediately before the property was disposed of by that person or partnership.

**“7.27.** Section 7.25 does not apply to a gift

(a) of a property described in an inventory;

(b) of an immovable property situated in Canada;

(c) of a cultural property described in the third paragraph of section 232;

(d) of a property to which section 231.2 would apply, if the portion of paragraph *a* of that section before subparagraph i were read without reference to “, other than a private foundation,”;

- (e) of a share of the capital stock of a corporation if
    - i. the share was issued by the corporation to the donor,
    - ii. immediately before the gift, the corporation was controlled by the donor, a person related to the donor or a group of persons each of whom is related to the donor, and
    - iii. section 7.25 would not have applied in respect of the consideration for which the share was issued had that consideration been donated by the donor to the qualified donee when the share was so donated;
  - (f) by a corporation of a property if
    - i. the property was acquired by the corporation in circumstances to which section 518 or 529 applied,
    - ii. immediately before the gift, the shareholder from whom the corporation acquired the property controlled the corporation or was related to a person or each member of a group of persons that controlled the corporation, and
    - iii. section 7.25 would not have applied in respect of the property had the property not been transferred to the corporation and had the shareholder made the gift to the qualified donee when the corporation so made the gift;
  - (g) of a property that was acquired in circumstances where any of sections 440, 444, 454, 459 and 460 applied, unless section 7.26 would have applied if this section were read without reference to this paragraph;
  - (h) of a work of art to a Québec museum;
  - (i) of the bare ownership of a work of art or of a cultural property described in the third paragraph of section 232; or
  - (j) of a musical instrument to an entity referred to in the definition of “total musical instrument gifts” in the first paragraph of section 752.0.10.1.
- “7.28.** The eligible amount of a gift of a property by a taxpayer is equal to zero if it can reasonably be concluded that the gift relates to a transaction or series of transactions
- (a) one of the purposes of which is to avoid the application of section 7.25 to the gift of a property; or
  - (b) that would, if this Part were read without reference to this paragraph, result in a tax benefit to which section 1079.10 applies.

**“7.29.** If a taxpayer disposes of a property (in this section referred to as the “substantive gift”) that is a capital property or an incorporeal capital property of the taxpayer, to a recipient that is a qualified donee, section 7.25 would have applied in respect of the substantive gift if it had been the subject of a gift by the taxpayer to a qualified donee, and all or a part of the proceeds of disposition of the substantive gift are, or are substituted, directly or indirectly in any manner whatever, for, property that is the subject of a gift by the taxpayer to the recipient or any person not dealing at arm’s length with the recipient, the following rules apply:

(a) for the purposes of section 7.21, the fair market value of the property that is the subject of the gift made by the taxpayer is deemed to be equal to that proportion of the lesser of the fair market value of the substantive gift and the cost or, if the substantive gift is a capital property of the taxpayer, the adjusted cost base, of the substantive gift to the taxpayer immediately before the disposition to the recipient, that the fair market value otherwise determined of the property that is the subject of the gift is of the proceeds of disposition of the substantive gift;

(b) if the substantive gift is a capital property of the taxpayer, for the purposes of subparagraph *f* of the first paragraph of section 93 and section 251, the sale price of the substantive gift is to be reduced by the amount by which the fair market value of the property that is the subject of the gift, determined without reference to this chapter, exceeds the fair market value determined under paragraph *a*; and

(c) if the substantive gift is an incorporeal capital property of the taxpayer, the amount included in computing an excess amount referred to in subparagraph *b* of the second paragraph of section 107 is to be reduced by the amount by which the fair market value of the property that is the subject of the gift, determined without reference to this chapter, exceeds the fair market value determined under paragraph *a*.

**“7.30.** Section 7.20 does not apply in respect of a gift made by a registered charity to a qualified donee.

**“7.31.** Despite section 7.21, the eligible amount of a gift made by a taxpayer is equal to zero if the taxpayer does not, before a receipt referred to in section 712 or 752.0.10.3 is issued in respect of the gift, inform the qualified donee or the recipient of any circumstances in respect of which any of sections 7.21, 7.25, 7.26, 7.28 and 7.29 causes the eligible amount of the gift to be less than the fair market value, determined without reference to sections 7.25, 716 and 752.0.10.12, of the property that is the subject of the gift.”

(2) Subsection 1, except when it enacts sections 7.19.1, 7.25, 7.27 and 7.28 of the Act, applies in respect of a gift made after 20 December 2002. However,

- (1) section 7.22 of the Act is to be read without reference to
- (a) subparagraph iii of its paragraph *a*, when it applies in respect of a gift made before 6:00 p.m. Eastern Standard Time on 5 December 2003; and
- (b) its paragraph *b*, when it applies in respect of a gift made before 19 February 2003;
- (2) section 7.24 of the Act does not apply in respect of a gift made before 19 February 2003;
- (3) section 7.26 of the Act does not apply in respect of a gift made before 18 July 2005;
- (4) section 7.29 of the Act does not apply in respect of a gift made before 27 February 2004;
- (5) section 7.30 of the Act does not apply in respect of a gift made before 9 November 2006; and
- (6) section 7.31 of the Act does not apply in respect of a gift made before 1 January 2006.
- (3) Subsection 1, when it enacts section 7.19.1 of the Act, has effect from 20 December 2006.
- (4) Subsection 1, when it enacts section 7.25, the portion of section 7.27 before paragraph *j* and section 7.28 of the Act, applies from the taxation year 2003. However, when section 7.28 of the Act applies in respect of a gift made before 18 July 2005, it is to be read as follows:
- “7.28.** If it can reasonably be concluded that one of the reasons for a series of transactions, that includes a disposition or acquisition of a property of a taxpayer that is the subject of a gift by the taxpayer, is to increase the amount that would be deemed to be the fair market value of the property under section 7.25, the cost of the property for the purposes of section 7.25 is deemed to be the lowest cost to the taxpayer to acquire that property or an identical property at any time.”
- (5) In addition, subsection 1, when it enacts section 7.25, the portion of section 7.27 before paragraph *j* and section 7.28 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 12 December 2003. However, it does not apply in respect of cases pending before the courts on 12 December 2003 or to notices of objection served on the Minister of Revenue on or before that date, if one of the subjects of the contestation, expressly invoked on or before that date in the motion of appeal or in the notice of objection previously served on the Minister of Revenue, or in the notice of objection, as the case may be, concerns the valuation of a property that is the subject of a gift for the purpose of determining the fair market value of the property.

(6) Subsection 1, when it enacts paragraph *j* of section 7.27 of the Act, applies in respect of a gift made after 23 March 2006.

**24.** (1) Section 8 of the Act is amended by replacing paragraph *f* by the following paragraph:

“(f) was a child of, and dependent for support on, an individual to whom any of paragraphs *b*, *c* and *d* applies and the child’s income for the year did not exceed \$6,650; or”.

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

**25.** (1) The Act is amended by inserting the following section after section 8.1:

**“8.2.** The amount referred to in paragraph *f* of section 8 that must be used for a taxation year subsequent to the taxation year 2007 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 so used 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 immediately before the year preceding that for which the amount is to be adjusted.

If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.

If the amount that results from the adjustment provided for in the first paragraph is not a multiple of \$5, it must 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.



**26.** (1) Section 16.1.2 of the Act is replaced by the following section:

**“16.1.2.** For the purposes of subparagraph *a* of the first paragraph of section 21.32, section 125.1, the second paragraph of section 171, section 217.15, the definition of “goodwill amount” in section 333.4, paragraph *b* of section 333.14, section 740 and paragraph *b.1* of section 1029.8.17, if a person is not resident in Canada but is resident in a country with which a tax agreement was entered into and in which the expression “permanent establishment” is defined, the establishment of the person means, despite sections 12 to 16.1, the permanent establishment of the person, within the meaning assigned by the tax agreement.”

(2) Subsection 1 has effect from 8 October 2003.

**27.** (1) Section 18 of the Act is amended by replacing “where paragraph *b* does not apply” in paragraph *c* by “in any other case”.

(2) Subsection 1 has effect from 24 December 1998.

**28.** (1) Section 21.1 of the Act is amended by replacing “, 106.4, 158.1 to 158.14, 175.9” in the first paragraph by “and 106.4, Division X.1 of Chapter III of Title III of Book III, sections 175.9”.

(2) Subsection 1 has effect from 18 September 2001.

**29.** (1) Section 21.3 of the Act is amended

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

“(a) the acquisition at any time of shares of the capital stock of any corporation by

i. a person who acquired the shares from another person to whom the person was related, otherwise than because of a right referred to in paragraph *b* of section 20, immediately before that time,

ii. a person who was related to the particular corporation, otherwise than because of a right referred to in paragraph *b* of section 20, immediately before that time,

iii. a succession that acquired the shares because of the death of a person,

iv. a person who acquired the shares from a succession that arose on the death of another person to whom the person was related, or

v. a corporation on a distribution, within the meaning assigned by the first paragraph of section 308.0.1, by a specified corporation, within the meaning assigned by that paragraph, if a dividend, to which section 308.1 does not

apply because of section 308.3, is received in the course of the reorganization in which the distribution occurs;”;

(2) by adding the following paragraph after paragraph *b*:

“(c) the acquisition at any time of shares of the particular corporation if

i. the acquisition would otherwise result in the acquisition of control of the particular corporation at that time by a related group, and

ii. each member of each group of persons that controls the particular corporation at that time was related, otherwise than because of a right referred to in paragraph *b* of section 20, to the particular corporation immediately before that time.”

(2) Subsection 1 applies in respect of an acquisition of shares that occurs after 31 December 2000.

**30.** (1) Section 21.3.1 of the Act is replaced by the following section:

**“21.3.1.** If at a particular time shares of the capital stock of a particular corporation are disposed of to another corporation (in this paragraph referred to as the “acquiring corporation”) for consideration that includes shares of the acquiring corporation’s capital stock, control of the particular corporation and of each corporation controlled by it immediately before that time is deemed not to have been acquired by the acquiring corporation solely because of the disposition if, immediately after the particular time, the acquiring corporation and the particular corporation are controlled by a person or group of persons who controlled the particular corporation immediately before the particular time, and did not, as part of the series of transactions or events that includes the disposition, cease to control the acquiring corporation.

Control of a particular corporation and of each corporation controlled by it immediately before a particular time is deemed not to have been acquired at the particular time by a corporation (in this paragraph referred to as the “acquiring corporation”), if at the particular time, the acquiring corporation acquires shares of the particular corporation’s capital stock for consideration that consists solely of shares of the acquiring corporation’s capital stock, and if

(a) immediately after the particular time,

i. the acquiring corporation owns all the shares of each class of the particular corporation’s capital stock, without reference to shares of a specified class of the capital stock of the particular corporation, within the meaning of section 560.1.2.1,

ii. the acquiring corporation is not controlled by a person or group of persons, and

iii. the fair market value of the shares of the particular corporation's capital stock that are owned by the acquiring corporation is not less than 95% of the fair market value of all the assets of the acquiring corporation; or

(b) any of subparagraphs i to iii of subparagraph a do not apply and the acquisition occurs as part of a plan of arrangement that, on completion, results in

i. the acquiring corporation, or a new corporation that is formed on an amalgamation of the acquiring corporation and a wholly-controlled subsidiary of the acquiring corporation, owning all the shares of each class of the particular corporation's capital stock, without reference to shares of a specified class of the capital stock of the particular corporation, within the meaning of section 560.1.2.1,

ii. the acquiring corporation, or the new corporation, not being controlled by a person or group of persons, and

iii. the fair market value of the shares of the particular corporation's capital stock that are owned by the acquiring corporation, or the new corporation, being not less than 95% of the fair market value of all the assets of the acquiring corporation or the new corporation.”

(2) Subsection 1 applies in respect of an acquisition of shares made after 31 December 1999.

**31.** (1) Section 21.4.2 of the Act is replaced by the following section:

**“21.4.2.** For the purposes of this Part, if control of a corporation is acquired by a person or group of persons at a particular time on a day, control of the corporation is deemed to have been acquired by the person or group of persons at the commencement of that day and not at the particular time unless the corporation makes a valid election under subsection 9 of section 256 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the acquisition of control.

Chapter V.2 applies in relation to an election made under subsection 9 of section 256 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**32.** (1) The Act is amended by inserting the following after section 21.4.3:

**“CHAPTER V.2****“MAKING CERTAIN ELECTIONS**

**“21.4.4.** This chapter applies when a provision of this Act (in this chapter referred to as the “particular provision”) refers to this chapter in relation to an election made under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or under this Act.

A person, legal representative or partnership that makes such an election is referred to as the “elector” in this chapter.

**“21.4.5.** If an election, which should have been made on or before 19 December 2006 or which was made before 20 December 2006, is made or amended as a consequence of the application of subsection 3.2 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the date on which the election was made, which is to be taken into account for the purposes of sections 21.4.6 and 21.4.10 and of the particular provision, is, despite the presumption provided for in that respect in paragraph *a* of subsection 3.3 of section 220 of that Act, the date on which the election is actually made or amended.

If, in relation to any subject (in this paragraph referred to as the “subject of an election made for federal purposes”), an election is rescinded after 19 December 2006 in circumstances where section 7.19.1 applies and a particular valid election has been made before 20 December 2006 under the particular provision in relation to the subject of an election made for federal purposes, the particular valid election is deemed never to have been made.

**“21.4.6.** If, after 19 December 2006, an elector makes a valid election under the provision of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to which the particular provision refers, the elector or, if the elector is a partnership, any member of the partnership shall, on or before the date provided for in the second paragraph, notify the Minister in writing of the election and attach to the notice a copy of every document sent to the Minister of National Revenue in connection with the election.

The date to which the first paragraph refers is the date of the thirtieth day following that on which the election is made or, if it is later, the filing-due date of the elector or of the member of the partnership for the taxation year for which the election is required to be sent to the Minister of National Revenue.

**“21.4.7.** In the event of non-compliance with a requirement of section 21.4.6, the elector incurs a penalty of \$25 a day for every day the omission continues, up to \$2,500.

**“21.4.8.** If, in relation to any subject (in this section referred to as the “subject of an election made for federal purposes”) and as a consequence of the application of subsection 3.2 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the period

within which an elector may make the election under section 21.4.6 has been extended or an election made by the elector under the provision of that Act to which the particular provision refers is amended or rescinded after 19 December 2006, the following rules apply:

(a) the elector shall notify the Minister in writing and attach to the notice a copy of every document sent to the Minister of National Revenue for that purpose;

(b) the elector incurs a penalty equal to \$100 for each complete month included in the period beginning on the day on or before which the election or the amended or rescinded election was required to have been made and ending on the day on which the notice referred to in paragraph *a* is sent to the Minister, up to \$5,000; and

(c) if a particular valid election has been made before 20 December 2006 under the particular provision in relation to the subject of an election made for federal purposes,

i. in the case of the election made or amended,

(1) the particular provision is to apply in respect of the subject of an election made for federal purposes, as the particular provision reads on 20 December 2006 and not as it read before that date, and

(2) the particular valid election is deemed never to have been made, and

ii. in the case of the rescinded election, the particular valid election is deemed never to have been made.

**“21.4.9.** Subject to sections 21.4.5, 21.4.8 and 21.4.11, if, in relation to any subject (in this section referred to as the “subject of an election made for Québec purposes”), an elector made a particular valid election under the particular provision before 20 December 2006, the particular provision must apply in respect of the subject of an election made for Québec purposes, as the particular provision read before that date, unless, after 19 December 2006, the elector makes, in relation to the subject of an election made for Québec purposes, a valid election under the provision of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to which the particular provision refers, in which case the following rules apply:

(a) the particular provision must apply in respect of the subject of an election made for Québec purposes, as the particular provision reads on 20 December 2006 and not as it read before that date; and

(b) the particular valid election is deemed never to have been made.

**“21.4.10.** If, before 20 December 2006 and in relation to any subject (in this section referred to as the “subject of an election made for federal

purposes”), an elector made a particular valid election under the provision of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to which the particular provision refers and did not rescind it after 19 December 2006 as a consequence of the application of subsection 3.2 of section 220 of that Act, and the elector has not made a valid election under the particular provision, the following rules apply:

(a) if the applicable period within which to make the election under the particular provision in relation to the subject of an election made for federal purposes, as the particular provision read before 20 December 2006, would have ended after 19 December 2006, the particular provision must, if the elector so decides on or before the time at which the period should have ended, apply in respect of the subject of an election made for federal purposes as if the particular valid election had been made on 20 December 2006, and, for that purpose, section 603 applies, with the necessary modifications, in respect of that decision if the particular provision was referred to in section 603, as that section read on 19 December 2006;

(b) if subsection 3.2 of section 220 of the Income Tax Act applies, in relation to the subject of an election made for federal purposes, to the provision of that Act to which the particular provision refers and if section 21.4.8 does not apply,

i. the Minister may allow that the particular provision apply in respect of the subject of an election made for federal purposes as if the particular valid election had been made on 20 December 2006, if

(1) the applicable period within which to make the election under the particular provision in relation to the subject of an election made for federal purposes, as the particular provision read before 20 December 2006, would have ended on or before a particular day of any of the elector’s taxation years or fiscal periods, as the case may be, and

(2) the elector files an application with the Minister in that respect on or before the day that is 10 calendar years after the end of the taxation year or fiscal period, and, for that purpose, section 603 applies, with the necessary modifications, in respect of that application if the particular provision was referred to in section 603, as that section read on 19 December 2006, and

ii. if the Minister grants the application filed under subparagraph i, the elector incurs a penalty equal to \$100 for each complete month included in the period beginning on the day on or before which the particular valid election was required to have been made and ending on the day on which the application is filed with the Minister, up to \$5,000; and

(c) if the particular provision is any of sections 85.5, 194, 215, 250.1, 312.3, 462.16, 688.1.1, 853 and 985.3 and, before 20 December 2006, in the case of sections 85.5, 194 and 215, the elector has not made a valid election under the provision of the Income Tax Act to which section 85.6, 195 or 216,

as the case may be, refers in relation to the particular valid election, or, in the case of section 985.3, the Minister of National Revenue has not revoked the particular valid election, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply the particular provision, for or from a particular taxation year or particular day or from a particular date, as the case may be, as if the particular valid election was a valid election made after 19 December 2006 in that respect, for or from the particular taxation year or particular day or from the particular date, as the case may be, under the provision of the Income Tax Act to which the particular provision refers.

**“21.4.11.** If an elector made a particular valid election under the particular provision before 20 December 2006 in relation to any subject (in this section referred to as the “subject of an election made for Québec purposes”), the following rules apply:

(a) if subsection 3.2 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) applies, in relation to the subject of an election made for Québec purposes, to the provision of that Act (in this subparagraph referred to as the “corresponding provision”) to which the particular provision refers, if section 21.4.8 does not apply and if the elector made, in relation to the subject of an election made for Québec purposes, a valid election under the corresponding provision before 20 December 2006 that has not been rescinded before that date as a consequence of the application of that subsection 3.2, or the elector did not make such an election or made such an election that was thus rescinded before that date,

i. the Minister may allow that the particular provision, as it reads on 20 December 2006 and not as it read before that date, apply in respect of the subject of an election made for Québec purposes as if the election made for the purposes of the Income Tax Act that was not rescinded had been made on 20 December 2006, or that the particular valid election be revoked in any other case, if

(1) the period within which, in relation to the subject of an election made for Québec purposes, the election under the particular provision was to be made, as the particular provision read before 20 December 2006, would have ended on or before a particular day of any of the elector’s taxation years or fiscal periods, as the case may be, and

(2) the elector files an application with the Minister in that respect on or before the day that is 10 calendar years after the end of the taxation year or fiscal period, and, for that purpose, section 603 applies, with the necessary modifications, in respect of that application if the particular provision was referred to in section 603, as that section read on 19 December 2006, and

ii. if the Minister grants the application filed under subparagraph i,

(1) the elector incurs a penalty equal to \$100 for each complete month included in the period beginning on the day on or before which the election under the corresponding provision in relation to the subject of an election made for Québec purposes was required to have been made and ending on the day on which the application is filed, up to \$5,000, and

(2) the particular valid election is deemed never to have been made;

(b) if the particular provision is any of sections 85.5, 194, 215 and 985.3 and the conditions set out in the second paragraph are met before 20 December 2006, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply the particular provision, for a particular taxation year or from a particular date, as if the valid election referred to in subparagraph *b* of the second paragraph was a valid election made after 19 December 2006 in that respect, for the particular taxation year or from the particular date, under the provision of the Income Tax Act to which the particular provision refers;

(c) if the particular provision is any of sections 85.5, 194, 215, 284 and 985.3 and the conditions set out in the third paragraph are met before 20 December 2006,

i. in the case of sections 85.5, 194, 215 and 284, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, for a particular taxation year, as if the valid election referred to in subparagraph *c* of the third paragraph was a valid election made in that respect after 19 December 2006, for the particular taxation year, under the provision of the Income Tax Act to which section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, refers, and

ii. in the case of section 985.3, the Minister may revoke the particular valid election from the particular date referred to in subparagraph *c* of the third paragraph; and

(d) if the particular provision is any of sections 85.5, 194, 215, 284 and 985.3 and the conditions set out in the fourth paragraph are met before 20 December 2006,

i. in the case of sections 85.5, 194, 215 and 284, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, for a particular taxation year, as if a valid election had been made in that respect after 19 December 2006, for the particular taxation year, under the provision of the Income Tax Act to which section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, refers, and

ii. in the case of section 985.3, the Minister may revoke the particular valid election from the date the Minister determines.



The conditions to which subparagraph *b* of the first paragraph refers are as follows:

(a) in the case of sections 85.5, 194 and 215, the elector has made a valid election under section 85.6, 195 or 216, as the case may be, in relation to the particular valid election, or, in the case of section 985.3, the Minister has revoked the particular valid election;

(b) the elector has made a valid election, in relation to the subject of an election made for Québec purposes, under the provision of the Income Tax Act to which the particular provision refers; and

(c) in the case of sections 85.5, 194 and 215, the elector has not made a valid election under the provision of the Income Tax Act to which section 85.6, 195 or 216, as the case may be, refers in relation to the valid election referred to in subparagraph *b*, or, in the case of section 985.3, the Minister of National Revenue has not revoked the valid election referred to in subparagraph *b*.

The conditions to which subparagraph *c* of the first paragraph refers are as follows:

(a) in the case of sections 85.5, 194, 215 and 284, the elector has not made a valid election under section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, in relation to the particular valid election, or, in the case of section 985.3, the Minister has not revoked the particular valid election;

(b) the elector has made a valid election, in relation to the subject of an election made for Québec purposes, under the provision of the Income Tax Act to which section 85.5, 194 or 215 or the first paragraph of section 284, as the case may be, refers; and

(c) in the case of sections 85.5, 194, 215 and 284, the elector has made a valid election under the provision of the Income Tax Act to which section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, refers in relation to the valid election referred to in subparagraph *b*, or, in the case of section 985.3, the Minister of National Revenue has revoked the valid election referred to in subparagraph *b* from a particular date.

The conditions to which subparagraph *d* of the first paragraph refers are as follows:

(a) in the case of sections 85.5, 194, 215 and 284, the elector has not made a valid election under section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, in relation to the particular valid election, or, in the case of section 985.3, the Minister has not revoked the particular valid election; and

(b) the elector has not made a valid election, in relation to the subject of an election made for Québec purposes, under the provision of the Income Tax Act to which section 85.5, 194 or 215 or the first paragraph of section 284, as the case may be, refers.

**“21.4.12.** The Minister may determine any penalty payable by a partnership under this chapter and send the partnership a notice of assessment in that respect.

**“21.4.13.** The total amount of the penalties incurred by the elector under this chapter in relation to a particular election may not exceed the greatest penalty that would otherwise have been incurred in respect of that election under any of the provisions of this chapter.

**“21.4.14.** Under this Part and despite sections 1010 to 1011, the Minister shall make such assessments of tax, interest and penalties as are necessary for any taxation year to take into account any election, any amended, rescinded or revoked election or any election deemed never to have been made, and any application of the particular provision, referred to in any of sections 21.4.5, 21.4.8 and 21.4.9, in paragraph *b* of section 21.4.10 or in subparagraph *a* of the first paragraph of section 21.4.11.

**“21.4.15.** If any given provision of this Act refers to this chapter in relation to an operation that consists in the rescinding or revocation of an election, or in an agreement or arrangement, an application, an attribution, a designation, a determination, a distribution or a specification relating to a property, an amount or anything else, this chapter is to be interpreted as if the operation consisted in an election made under the given provision or under the provision of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to which the given provision refers.”

(2) Subsection 1 has effect from 20 December 2006. However, for the purposes of section 21.4.7 of the Act, a person is deemed to have complied with the requirement of section 21.4.6 of the Act if the person complies with it on or before 15 May 2009.

**33.** (1) Section 21.19 of the Act is amended

- (1) by replacing “paragraph *c*” in paragraphs *a* and *b* by “subparagraph *c*”;
- (2) by adding the following paragraph after paragraph *c*:

“(d) that, for the purposes of section 6.1.1 and of subsection 1 of section 771 in respect of a particular taxation year, made a valid election under subsection 11 of section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to not be considered, for certain purposes, to be a Canadian-controlled private corporation at any time in or after a taxation year that is the particular taxation year or a preceding taxation

year, and that did not revoke the election in accordance with subsection 12 of section 89 of that Act as of the end of a taxation year preceding the particular taxation year.”;

(3) by adding the following paragraph:

“Chapter V.2 applies in relation to an election made under subsection 11 of section 89 of the Income Tax Act and, if applicable, in relation to the revocation of that election made under subsection 12 of section 89 of that Act.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 20 December 2006.

(3) Paragraph 2 of subsection 1 applies to a taxation year that ends after 31 December 2005.

**34.** (1) The Act is amended by inserting the following section after section 21.20.10:

“**21.20.11.** For the purposes of section 965.66 and despite section 21.20.4, to determine whether a corporation (in this section referred to as the “issuing corporation”) is associated at any time with a particular corporation, otherwise than as a consequence of the application of section 21.25, a right referred to in section 21.20.4 that is held by the particular corporation is not to be taken into account, if

(a) the Minister is of the opinion that the issuing corporation is associated with the particular corporation only because of the application of section 21.20.4; and

(b) the contract granting the particular corporation a right referred to in section 21.20.4 stipulates that the right will cease to exist by reason of a public share issue, within the meaning assigned by section 965.55, made by the issuing corporation.”

(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 9 November 2007.

**35.** (1) Section 21.32 of the Act is amended

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

“**21.32.** For the purposes of this Part, any amount received as compensation for a taxable dividend paid on a qualified security that is a share of the capital stock of a public corporation is, to the extent of the amount of such dividend, deemed to have been received from the corporation

as a taxable dividend on the share and, if the amount has the characteristics described in the second paragraph, as an eligible dividend on the share, if it has been received”;

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

“The characteristics to which the first paragraph refers in respect of an amount are the following:

(a) the amount is deemed, under the first paragraph, to be a taxable dividend; and

(b) the amount is received by a person resident in Canada as

i. compensation for an eligible dividend, or

ii. compensation for a taxable dividend, other than an eligible dividend, paid by a corporation to a shareholder not resident in Canada in circumstances where it may reasonably be considered that the corporation would, if that shareholder had been resident in Canada, have designated the dividend as an eligible dividend under subsection 14 of section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for the purposes of that Act.”

(2) Subsection 1 applies in respect of an amount received as compensation for a dividend paid after 23 March 2006.

**36.** (1) Section 21.35 of the Act is replaced by the following section:

**“21.35.** For the purposes of this Part, except section 58.2 and this section, an amount claimed by a taxpayer as an input tax credit or rebate with respect to the goods and services tax in respect of a property or service is deemed to be assistance from a government in respect of the property or service that is received by the taxpayer

(a) if the amount was claimed as an input tax credit in a return filed under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) for a reporting period under that Act,

i. at the particular time that is the time that the goods and services tax in respect of the credit was paid or, if it is earlier, the time that it became payable if

(1) the particular time is in the reporting period, or

(2) the taxpayer’s threshold amount, determined in accordance with subsection 1 of section 249 of the Excise Tax Act, is greater than \$500,000 for the taxpayer’s fiscal period, within the meaning of that Act, that includes the particular time and the taxpayer claimed the input tax credit at least

120 days before the end of the period described in paragraph *a* or *a.0.1* of subsection 2 of section 1010, for the taxation year that includes the particular time,

ii. at the end of the reporting period, if

(1) subparagraph i does not apply, and

(2) the taxpayer's threshold amount, determined in accordance with subsection 1 of section 249 of the Excise Tax Act, is \$500,000 or less for the taxpayer's fiscal period, within the meaning of that Act, that includes the particular time, and

iii. in any other case, on the last day of the taxpayer's first taxation year that begins after the taxation year that includes the particular time and for which the period described in paragraph *a* or *a.0.1* of subsection 2 of section 1010 ends at least 120 days after the time that the input tax credit was claimed; or

(*b*) if the amount was claimed as a rebate with respect to the goods and services tax, at the time the amount was received by, or credited to, the taxpayer."

(2) Subsection 1 applies in respect of an input tax credit or rebate that becomes eligible to be claimed in a taxation year that begins after 20 December 2002.

**37.** (1) Section 21.35.1 of the Act is amended

(1) by striking out "au moment qui est" in the portion before paragraph *a* in the French text;

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

"i. at the particular time that is the time that the Québec sales tax in respect of the refund was paid or, if it is earlier, the time that it became payable if

(1) the particular time is in the reporting period, or

(2) the taxpayer's threshold amount, determined in accordance with section 462 of that Act, is greater than \$500,000 for the taxpayer's fiscal period, within the meaning of that Act, that includes the particular time and the taxpayer claimed the input tax refund at least 120 days before the end of the period described in paragraph *a* or *a.0.1* of subsection 2 of section 1010, for the taxation year that includes the particular time,

"ii. at the end of the reporting period, if

(1) subparagraph i does not apply, and

(2) the taxpayer's threshold amount, determined in accordance with section 462 of that Act, is \$500,000 or less for the taxpayer's fiscal period, within the meaning of that Act, that includes the particular time, and";

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

“iii. in any other case, on the last day of the taxpayer's first taxation year that begins after the taxation year that includes the particular time and for which the period described in paragraph *a* or *a.0.1* of subsection 2 of section 1010 ends at least 120 days after the time that the input tax refund was claimed; or”;

(4) by replacing “le moment” in paragraph *b* in the French text by “au moment”.

(2) Subsection 1 applies in respect of an input tax refund or rebate that becomes eligible to be claimed in a taxation year that begins after 27 February 2004.

**38.** (1) Sections 21.36 and 21.36.1 of the Act are replaced by the following sections:

**“21.36.** If the input tax credit of a taxpayer under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of property that is a passenger vehicle or an aircraft is determined with reference to subsection 4 of section 202 of that Act, no reference is to be made to subparagraph iii of paragraph *a* of section 21.35, and subparagraphs i and ii of that paragraph *a*, when they apply in respect of such property, are to be read as follows:

“i. at the beginning of the first taxation year or fiscal period of the taxpayer that begins after the end of the taxation year or fiscal period, as the case may be, in which the goods and services tax in respect of such property was considered, for the purpose of determining the input tax credit, to be payable, if the tax was considered, for the purpose of determining the input tax credit, to have become payable in the reporting period, or

“ii. at the end of the reporting period, if no such tax was considered, for the purpose of determining the input tax credit, to have become payable in that period; or”.

**“21.36.1.** If the input tax refund of a taxpayer under the Act respecting the Québec sales tax (chapter T-0.1) in respect of property that is a passenger vehicle or an aircraft is determined with reference to section 252 of that Act, no reference is to be made to subparagraph iii of paragraph *a* of section 21.35.1, and subparagraphs i and ii of that paragraph *a*, when they apply in respect of such property, are to be read as follows:

“i. at the beginning of the first taxation year or fiscal period of the taxpayer that begins after the end of the taxation year or fiscal period, as the case may be, in which the Québec sales tax in respect of such property was considered, for the purpose of determining the input tax refund, to be payable, if the tax was considered, for the purpose of determining the input tax refund, to have become payable in the reporting period, or

“ii. at the end of the reporting period, if no such tax was considered, for the purpose of determining the input tax refund, to have become payable in that period; or”.

(2) Subsection 1, when it replaces section 21.36 of the Act, applies in respect of an input tax credit that becomes eligible to be claimed in a taxation year that begins after 20 December 2002.

(3) Subsection 1, when it replaces section 21.36.1 of the Act, applies in respect of an input tax refund that becomes eligible to be claimed in a taxation year that begins after 27 February 2004.

**39.** (1) The Act is amended by inserting the following sections after section 21.36.1:

**“21.36.2.** An amount in respect of an input tax credit that is deemed, under subsection 5 of section 296 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), to have been claimed in a return or application filed under Part IX of that Act is deemed to have been so claimed for the reporting period under that Act that includes the time when an assessment referred to in that subsection is made in respect of a taxpayer.

**“21.36.3.** An amount in respect of an input tax refund that is deemed, under section 30.5 of the Act respecting the Ministère du Revenu (chapter M-31), to have been claimed is deemed to have been so claimed for the reporting period under the Act respecting the Québec sales tax (chapter T-0.1) that includes the day on which an assessment, indicating that the refund has been allocated under that section 30.5, is made in respect of a taxpayer.”

(2) Subsection 1, when it enacts section 21.36.2 of the Act, applies in respect of an input tax credit that becomes eligible to be claimed in a taxation year that begins after 20 December 2002.

(3) Subsection 1, when it enacts section 21.36.3 of the Act, applies in respect of an input tax refund that becomes eligible to be claimed in a taxation year that begins after 27 February 2004.

**40.** (1) Section 21.40 of the Act is amended

(1) 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) by replacing “attribué” in the following provisions of the second paragraph in the French text by “distribué”:

— subparagraph *g*;

— subparagraph *ii* of subparagraph *h*;

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

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

“(j) a trust that is not a qualifying environmental trust for the purposes of the Income Tax Act because of a valid election made by it to that effect, or made by it to that effect after 19 December 2006 in the case of a trust resident in Québec, under paragraph *i* of the definition of “qualifying environmental trust” in subsection 1 of section 248 of that Act; and”;

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

“Chapter V.2 applies in relation to an election made under paragraph *i* of the definition of “qualifying environmental trust” in subsection 1 of section 248 of the Income Tax Act or in relation to an election made under subparagraph *j* of the second paragraph before 20 December 2006.”

(2) Paragraphs 3 to 5 of subsection 1 have effect from 20 December 2006.

**41.** (1) The Act is amended by inserting the following section after section 35:

**“35.1.** If an amount, other than an amount to which section 37 applies because of section 47.11, is receivable at the end of a taxation year by an individual in respect of a covenant, agreed to by the individual more than 36 months before the end of the year, with reference to what the individual is, or is not, to do, and the amount would be included in computing the individual’s income for the year under this Title if it were received by the individual in the year, the amount

(a) is deemed to be received by the individual at the end of the year for services rendered as an employee or during the period of employment; and

(b) is deemed not to be received at any other time.”

(2) Subsection 1 applies in respect of an amount receivable under a covenant agreed to after 7 October 2003.

**42.** Section 42.6 of the Act is amended by replacing “opéré” in paragraph *c* of the definition of “établissement visé” in the French text by “utilisé”.



**43.** Section 42.9 of the Act is repealed.

**44.** Section 42.13 of the Act is amended by replacing paragraph *c* by the following paragraph:

“(c) a tip in respect of a sale made to a customer that is a tippable sale attributable to an individual, means the tip determined by the customer in respect of the sale, including the portion of the tip to be remitted to another individual under a tip-sharing arrangement in effect in the regulated establishment;”.

**45.** (1) Section 47.7 of the Act is amended

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

“**47.7.** For the purposes of this division, “employee trust” means an arrangement in respect of which the trustee of the arrangement makes a valid election under paragraph *c* of the definition of “employee trust” in subsection 1 of section 248 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 and under which”;

(2) by replacing paragraphs *b* to *d* by the following paragraphs:

“(b) the right to a benefit referred to in subparagraph *a* vests only at the time of its payment;

“(c) the amount of a benefit referred to in subparagraph *a* does not depend on the individual’s position, performance or compensation as an employee; and

“(d) the trustee has, since the commencement of the arrangement, each year allocated to individuals who are beneficiaries under the trust, in such manner as is reasonable, an amount equal to the excess described in section 47.8.”;

(3) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of the definition of “employee trust” in subsection 1 of section 248 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**46.** (1) Section 47.8 of the Act is amended by replacing “The excess referred to in paragraph *d* of section 47.7” by “The excess referred to in subparagraph *d* of the first paragraph of section 47.7”.

(2) Subsection 1 has effect from 20 December 2006.

**47.** (1) Section 49.2.3 of the Act is amended

(1) by replacing paragraphs *b* and *c* by the following paragraphs:

“(b) after 19 December 2006, the taxpayer identifies, in accordance with subsection 1.31 of section 7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the particular security as the security so disposed of; and

“(c) the particular security has not been identified under subparagraph *b* by the taxpayer in relation to the disposition of another security.”;

(2) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an identification made under subsection 1.31 of section 7 of the Income Tax Act or in relation to an identification made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**48.** (1) Section 75.6 of the Act is amended

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

“If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.”;

(2) by replacing “s’il est équidistant” in the third paragraph in the French text by “s’il en est équidistant”.

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

**49.** (1) Sections 85.5 and 85.6 of the Act are replaced by the following sections:

**“85.5.** Despite section 83, for the purpose of computing the income of an individual other than a trust for a taxation year from an artistic endeavour, the value of the property in the individual’s inventory for the year is deemed to be nil if the individual makes, in relation to the year, a valid election under subsection 6 of section 10 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the artistic endeavour.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 10 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

**“85.6.** If the value of the property in an individual’s inventory in relation to an artistic endeavour is deemed to be nil for a taxation year because of an election referred to in the first paragraph of section 85.5 made in relation to that year, the value of the property in the individual’s inventory in relation to the artistic endeavour is deemed to be nil for each subsequent taxation year, unless the taxation year is a year in relation to which a revocation, made by the individual under subsection 7 of section 10 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006, of an election made under subsection 6 of section 10 of that Act in respect of the artistic endeavour, is valid.

Any condition determined by the Minister of National Revenue for the revocation referred to in the first paragraph applies, with the necessary modifications, in computing the income from the artistic endeavour.

Chapter V.2 of Title II of Book I applies in relation to a revocation made under subsection 7 of section 10 of the Income Tax Act or in relation to a revocation made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**50.** (1) Section 87 of the Act is amended by adding the following subparagraph after subparagraph iv of paragraph w:

“v. is not an amount received by the taxpayer in respect of a restrictive covenant, within the meaning assigned by section 333.4, that was included under section 333.5 in computing the income of a person related to the taxpayer;”.

(2) Subsection 1 has effect from 8 October 2003.

**51.** Section 92.5.4 of the Act is repealed.

**52.** (1) Section 93.3.1 of the Act is amended

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

“ii. if two or more properties of a prescribed class of the transferor are disposed of at the same time, subparagraph i applies in their respect as if each property so disposed of had been separately disposed of in the following order:

(1) if an order is designated after 19 December 2006 in their respect under subparagraph ii of paragraph *e* of subsection 21.2 of section 13 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the order so designated, and

(2) if subparagraph 1 does not apply, the order designated by the transferor or, if the transferor does not designate an order, in the order designated by the Minister,”;

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

“Chapter V.2 of Title II of Book I applies in relation to a designation made under subparagraph ii of paragraph *e* of subsection 21.2 of section 13 of the Income Tax Act or in relation to a designation made under subparagraph ii of subparagraph *b* of the second paragraph before 20 December 2006 and must, if the order referred to in subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph was designated by the Minister of National Revenue, apply, with the necessary modifications, as if the designation had been made by the transferor.”

(2) Paragraphs 2 and 3 of subsection 1 have effect from 20 December 2006.

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

(1) by replacing the portion of subsection 2 before paragraph *a* by the following:

“(2) If the taxpayer acquires, in a taxation year, a depreciable property of a prescribed class of the taxpayer that is a replacement property for a former property of the taxpayer and the taxpayer makes a valid election under subsection 4 of section 13 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the former property or, if section 96.0.1 applies, the taxpayer so elects in the taxpayer’s fiscal return filed in accordance with section 1000 for the taxation year, the following rules apply:”;

(2) by adding the following subsection after subsection 3:

“(4) Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 13 of the Income Tax Act or in relation to an election made under this section before 20 December 2006 but otherwise than as a consequence of the application of section 96.0.1.”

(2) Subsection 1 has effect from 20 December 2006.

**54.** (1) Section 96.1 of the Act is amended by replacing “an election under section 96” by “an election under subsection 2 of section 96”.

(2) Subsection 1 has effect from 20 December 2006.

**55.** (1) Section 106.1 of the Act is amended by replacing “if the transferor makes an election under section 105.2.1 in respect of the property, 3/4 of the actual proceeds of disposition referred to in section 105.2.1” in the portion of the first paragraph before subparagraph *a* by “if the transferor makes an election under section 105.2.1 or 105.2.2 in respect of the property, 3/4 of the actual proceeds of disposition referred to in that section”.

(2) Subsection 1 applies to a taxation year that ends after 20 December 2002.

**56.** (1) The Act is amended by inserting the following section after section 107:

**“107.0.1.** Subparagraph *b* of the second paragraph of section 107 does not apply to an amount received or receivable by a taxpayer in a taxation year if the amount is required to be included in computing the taxpayer’s income because of section 333.5.”

(2) Subsection 1 has effect from 8 October 2003.

**57.** (1) Section 110.1 of the Act is amended

(1) by replacing “and the taxpayer so elects, under this section, in the taxpayer’s fiscal return for the taxation year in which the taxpayer acquires an incorporeal capital property that is a replacement property for the taxpayer’s former property” in subsection 1 by “the taxpayer acquires, in a taxation year, an incorporeal capital property that is a replacement property for the taxpayer’s former property and the taxpayer makes a valid election under subsection 6 of section 14 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the former property”;

(2) by adding the following subsection after subsection 2:

“(3) Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 14 of the Income Tax Act or in relation to an election made under subsection 1 before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**58.** (1) Section 153 of the Act is amended

(1) by replacing “payable” in the first paragraph in the French text by “à payer”;

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

“However, no deduction is allowed to a taxpayer under this section in respect of a property sold in the course of a business if

- (a) the taxpayer, at the end of the taxation year or in the following year,
  - i. is exempt from tax under this Part, or
  - ii. is not resident in Canada and does not carry on the business in Canada;
- (b) the sale of the property occurred more than 36 months before the end of the year;
- (c) the purchaser of the property sold is a corporation that, immediately after the sale,
  - i. is controlled, directly or indirectly, in any manner whatever, by the taxpayer,
  - ii. is controlled, directly or indirectly, in any manner whatever, by a person or group of persons that controls the taxpayer, directly or indirectly, in any manner whatever, or
  - iii. controls the taxpayer, directly or indirectly, in any manner whatever;or
- (d) the purchaser of the property sold is a partnership in which the taxpayer is, immediately after the sale, a majority interest partner.”

(2) Paragraph 2 of subsection 1 applies in respect of a property sold by a taxpayer after 20 December 2002. However, if a property so sold under an agreement in writing made before 21 December 2002 is transferred to a purchaser before 1 January 2004, the following rules apply:

(1) the second paragraph of section 153 of the Act, replaced by paragraph 2 of subsection 1, applies in respect of the property; and

(2) for the purpose of applying the first paragraph of section 153 of the Act to the taxpayer for a taxation year in respect of the property, a reasonable amount as a reserve in respect of an amount not due in respect of the sale may not exceed the amount that would be reasonable if the proceeds from any subsequent disposition of the property that the purchaser receives before the end of the taxation year were received by the taxpayer.

**59.** Section 154.2 of the Act is repealed.

**60.** Section 157 of the Act is amended

(1) by replacing paragraphs *c* to *e* by the following paragraphs:

“(c) despite section 128, an amount that the taxpayer pays to attend, in connection with the taxpayer’s business, not more than two conventions held during the year by a business or professional organization at a place that may reasonably be regarded as consistent with the territorial scope of its activities;

“(d) an amount that is not a commission and that the taxpayer pays to a person for advice as to the advisability for the taxpayer of purchasing or selling a specific share or security or for services in respect of the administration or management of the taxpayer’s shares or securities, if that person’s principal business is to so advise or includes the providing of such services;

“(e) an amount that the taxpayer pays for investigating the suitability of a site for a building or other structure planned by the taxpayer for use in connection with a business carried on by the taxpayer;”;

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

“(f) an amount that the taxpayer pays to a person with whom the taxpayer deals at arm’s length for the purpose of making a service connection to the taxpayer’s place of business for the supply, by means of wires, pipes or conduits, of water, electricity, gas, telephone service or sewers supplied by that person, to the extent that such amount is not paid to enable the taxpayer to acquire property or as consideration for the goods or services for the supply of which the service connection has been made;”;

(3) by replacing paragraphs *g* to *h* by the following paragraphs:

“(g) the proportion of an amount not otherwise deductible that was paid or that became payable by the taxpayer before the end of the year to a person for the cancellation of a lease of property of the taxpayer leased by the taxpayer to that person that the number of days that remained in the term of the lease, including all renewal periods of the lease, not exceeding 40 years, immediately before its cancellation and that were in the year is of the total number of days in any case if the property was owned at the end of the year by the taxpayer or by a person with whom the taxpayer was not dealing at arm’s length and no part of the amount was deductible by the taxpayer under paragraph *g.1* in computing the taxpayer’s income for a preceding taxation year;

“(g.1) an amount not otherwise deductible that was paid or that became payable by the taxpayer before the end of the year to a person for the cancellation of a lease of property of the taxpayer leased by the taxpayer to that person, to the extent of that amount or, in the case of capital property, 1/2 of that amount that was not deductible by the taxpayer under paragraph *g* in computing the taxpayer’s income for any preceding taxation year in any case if the property was not owned at the end of the year by the taxpayer or by a person with whom the taxpayer was not dealing at arm’s length, and no part of the amount was deductible by the taxpayer under this paragraph in computing the taxpayer’s income for any preceding taxation year;

“(h) an amount paid by the taxpayer for the landscaping of grounds around a building or other structure owned by the taxpayer and that the taxpayer uses primarily to gain income from it or from a business;”;

(4) by replacing paragraphs *k.1* to *l.1* by the following paragraphs:

“(k.1) a repayment in the year by the taxpayer of an amount the taxpayer is required by paragraph *a* of section 87 to include in computing the taxpayer’s income from a business for the year or a preceding taxation year;

“(l) any amount included by the taxpayer under paragraphs *q* and *r* of section 87 in computing the taxpayer’s income for the preceding taxation year;

“(l.1) such part of any amount paid in the year by the taxpayer on an amount payable by the taxpayer under section 32 of the Act respecting the Ministère du Revenu (chapter M-31) if that section applies to an excess in relation to this Part, or under a prescribed disposition and as may reasonably be considered to be a repayment of interest that the taxpayer included in computing the taxpayer’s income for the year or a preceding taxation year;”;

(5) by replacing the portion of paragraph *m* before subparagraph ii by the following:

“(m) the amount of any assistance or benefit received by the taxpayer in the year as a deduction from or reimbursement of an expense that is either a tax, other than the Québec sales tax or the goods and services tax, or royalty to the extent that

i. the tax or royalty is, by reason of the receipt of the amount by the taxpayer, not deductible in computing the taxpayer’s income for a taxation year, and”;

(6) by replacing subparagraphs i and ii of paragraph *o* by the following subparagraphs:

“i. included under paragraph *w* of section 87 in computing the taxpayer’s income for the year or a preceding taxation year, or

“ii. that is, by reason of subparagraph ii of paragraph *w* of section 87 or section 87.4, not included in computing the taxpayer’s income under paragraph *w* for the year or a preceding taxation year, if the particular amount relates to an outlay or expense, other than an outlay or expense described in section 157.2.1, that would have been deductible in computing the taxpayer’s income for the year or a preceding taxation year were it not for the receipt of the particular amount;”.

**61.** (1) Section 157.10 of the Act is amended

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

“**157.10.** Where an amount is included under paragraph *a* of section 87 in computing a taxpayer’s income for a taxation year in respect of an undertaking to which subparagraph i or ii of that paragraph applies and the



taxpayer paid a reasonable amount in a particular taxation year to another person as consideration for the assumption by that other person of the taxpayer's obligations in respect of the undertaking, the following rules apply if the taxpayer and the other person make a valid election under subsection 24 of section 20 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the undertaking:";

(2) by replacing "des articles 150 ou 150.1" in paragraph *b* in the French text by "de l'un des articles 150 et 150.1";

(3) by replacing paragraph *c* in the French text by the following paragraph:

"c) lorsque le montant est reçu par l'autre personne dans l'exploitation d'une entreprise, il est réputé un montant décrit à l'un des sous-paragraphes i et ii du paragraphe *a* de l'article 87.";

(4) by adding the following paragraph:

"Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 24 of section 20 of the Income Tax Act or in relation to an election made under this section before 20 December 2006."

(2) Paragraphs 1 and 4 of subsection 1 have effect from 20 December 2006.

**62.** (1) Section 157.11 of the Act is repealed.

(2) Subsection 1 has effect from 20 December 2006.

**63.** (1) Section 158.14 of the Act is amended by replacing the portion before paragraph *b* by the following:

"**158.14.** Sections 158.2 to 158.12 do not apply to a taxpayer's matchable expenditure in respect of a right to receive production if

(*a*) no portion of the expenditure can reasonably be considered to have been paid to another taxpayer, or to a person or partnership with whom the other taxpayer does not deal at arm's length, to acquire the right to receive production from the other taxpayer and

i. no portion of the expenditure can reasonably be considered to relate to a tax shelter or a tax shelter investment, within the meaning of section 851.38, and

ii. none of the main purposes for making the expenditure can reasonably be considered to have been to obtain a tax benefit for the taxpayer, a person or partnership with whom the taxpayer does not deal at arm's length, or a person or partnership that holds, directly or indirectly, an interest in the taxpayer; or".

(2) Subsection 1 applies, subject to subsection 3, in respect of an expenditure made by a taxpayer after 17 September 2001 in respect of a right to receive production, unless

(1) the expenditure was

(a) required to be made under a written agreement made by the taxpayer before 18 September 2001;

(b) made under, or described in, the terms of a document that is a final prospectus, a preliminary prospectus or a registration statement that was, before 18 September 2001, filed with a public authority in Canada in accordance with the securities legislation of Canada or of a province and, if required by law, accepted for filing by the public authority before that date; or

(c) made under, or described in, the terms of an offering memorandum distributed as part of an offering of securities if

i. the offering memorandum contains a complete, or substantially complete, description of the securities contemplated in the offering as well as the terms and conditions of the offering;

ii. the offering memorandum was distributed before 18 September 2001;

iii. solicitations in respect of a sale of the securities contemplated in the offering were made before 18 September 2001; and

iv. the sale of the securities was substantially in accordance with the offering memorandum;

(2) the expenditure was made before 1 January 2002;

(3) the expenditure was made in consideration for services that were rendered in Canada before 1 January 2002 in respect of an activity, or a business, all or substantially all of which was carried on in Canada;

(4) there is no agreement, or other arrangement, under which the obligation of a taxpayer in respect of the expenditure can, after 17 September 2001, be changed, reduced or waived if there is a change to, or an adverse assessment under, the Act;

(5) if the right to receive production is, or is related to, a tax shelter investment within the meaning of section 851.38 of the Act, an identification number was assigned to the tax shelter by the Minister of Revenue under Book X.1 of Part I of the Act before 18 September 2001; and

(6) if the expenditure was made under, or described in, the terms of a document that is a final prospectus, a preliminary prospectus, a registration statement or an offering memorandum, and despite the fact that the expenditure was also made under a written agreement,

(a) the funds raised pursuant to the document that may reasonably be used to make a matchable expenditure were received by the taxpayer before 1 January 2002;

(b) all or substantially all of the securities distributed pursuant to the document for the purpose of raising the funds described in subparagraph *a* were acquired before 1 January 2002 by a person who is not

i. a promoter, or a mandatary of a promoter, of the securities, other than a mandatary of the promoter who acquired the securities as mandator and not for resale;

ii. a vendor of the right to receive production;

iii. a securities dealer, other than a person who acquired the securities as mandator and not for resale; or

iv. a person who does not deal at arm's length with a person to whom subparagraph i or ii applies; and

(c) all or substantially all of the funds raised pursuant to the document before 1 January 2002 were used to make expenditures provided for in agreements in writing made before 18 September 2001.

(3) Subsection 1 does not apply in respect of an expenditure made by a taxpayer in respect of a right to receive production in respect of a film or video production if

(1) an expenditure in respect of the film or video production

(a) was made before 18 September 2001, as determined, for the purposes of this paragraph 1, without reference to section 851.45 of the Act, unless a repaid amount for the purposes of that section is paid after 31 December 2002; or

(b) was required to be made by the taxpayer under a written agreement made before 18 September 2001;

(2) principal photography of the film or video production was conducted primarily in Canada, began before 1 January 2002 and was primarily completed before 1 April 2002;

(3) the expenditure

(a) was made before 1 April 2002 in the course of the taxpayer's business of providing production services in respect of the film or video production, as determined for the purposes of this paragraph 3 without reference to section 851.45 of the Act, except to the extent that a repaid amount for the purposes of that section is paid after 31 December 2002;

(b) was made under, or described in, the terms of a document (in this subsection referred to as the “document”) that is referred to in subparagraph *b* or *c* of paragraph 1 of subsection 2; and

(c) was not an amount in respect of advertising, marketing, promotion or market research;

(4) unless the film or video production is a designated production of the taxpayer, at least 75% of the total of all expenditures, each of which is an expenditure made by the taxpayer in the course of the business referred to in subparagraph *a* of paragraph 3, is an expenditure described in that subparagraph *a* made in consideration for the supply of goods or services that are supplied or rendered in Canada before 1 April 2002 by persons that are subject to tax on the expenditure under Part I or XIII of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

(5) there is no agreement, or other arrangement, under which the obligation of a taxpayer to acquire a security distributed pursuant to a document can, after 18 September 2001, be changed, reduced or waived if there is a change to, or an adverse assessment under, the Act;

(6) if the right to receive production is, or is related to, a tax shelter investment, within the meaning of section 851.38 of the Act, an identification number was assigned to the tax shelter by the Minister of Revenue under Book X.1 of Part I of the Act before 18 September 2001;

(7) the funds raised pursuant to the document that may reasonably be used to make a matchable expenditure before 1 April 2002 in respect of the film or video production are received by the taxpayer before 1 January 2003;

(8) the securities distributed pursuant to the document for the purpose of raising the funds described in paragraph 7 were acquired before 1 January 2002;

(9) all or substantially all of the securities distributed pursuant to the document for the purpose of raising the funds described in paragraph 7 were acquired by a person who is not

(a) a promoter, or a mandatary of a promoter, of the securities, other than a mandatary of the promoter who acquired the securities as mandator and not for resale;

(b) a vendor of the right to receive production;

(c) a securities dealer, other than a person who acquired the security as mandator and not for resale; or

(d) a person who does not deal at arm’s length with a person referred to in subparagraph *a* or *b*; and

(10) all or substantially all of the matchable expenditures made by the taxpayer that are wholly attributable to the principal photography of the film or video production, other than a designated production of the taxpayer, are wholly attributable to principal photography conducted in Canada.

(4) For the purposes of paragraphs 4 and 10 of subsection 3, a designated production of a taxpayer is

(1) a film or video production in respect of which

(a) all of the expenditures made by the taxpayer in respect of the film or video production were required to be made under a written agreement made before 18 September 2001;

(b) if the taxpayer is a partnership,

i. the taxpayer's expenditures in respect of the film or video production were funded, in whole or in part, with funds raised from the initial contribution of capital of members of the taxpayer, pursuant to subscriptions in writing for the issue of interests in the taxpayer;

ii. all or substantially all of those subscriptions in writing were received by the taxpayer before 19 September 2001;

iii. at least one member of the taxpayer referred to in subparagraph *a* is a partnership (in this subsection referred to as a "master partnership");

iv. the subscriptions in writing of all master partnerships for interests in the taxpayer were funded, in whole or in part, with funds raised from the initial contribution of capital of members of the master partnerships, pursuant to subscriptions in writing for the issue of interests in the master partnerships; and

v. all or substantially all of the subscriptions in writing referred to in subparagraph *iv* were received by the master partnership before 19 September 2001;

(c) if a member of a particular master partnership is a partnership (in this subsection referred to as an "original master partnership"),

i. the subscriptions in writing of all original master partnerships for interests in the particular master partnership were funded, in whole or in part, with funds raised from the initial contribution of capital of members of the original master partnerships, pursuant to subscriptions in writing for the issue of interests in the original master partnerships; and

ii. all or substantially all of those subscriptions in writing were received by the original master partnership before 19 September 2001; and

(d) no member of an original master partnership is a partnership, an interest in which is a tax shelter; or

(2) a film or video production in respect of which

(a) principal photography was all or substantially all completed before 18 September 2001; and

(b) all or substantially all of the taxpayer's expenditures were made before 19 September 2001, as determined, for the purposes of this subparagraph *b*, without reference to section 851.45 of the Act, unless a repaid amount for the purposes of that section is paid after 31 December 2002.

**64.** (1) The Act is amended by inserting the following section after section 158.14:

**“158.15.** Subparagraph *a* of the first paragraph of section 158.4 does not apply in determining the amount that a taxpayer may deduct for a taxation year in respect of a matchable expenditure in respect of a right to receive production if

(a) before the end of the taxation year in which the expenditure is made, the aggregate of all amounts each of which is included in computing the taxpayer's income for the year, other than the portion of such an amount that is the subject of a reserve claimed by the taxpayer for the year under this Act, in respect of the right to receive production that relates to the matchable expenditure exceeds 80% of the expenditure; and

(b) no portion of the expenditure can reasonably be considered to have been paid to another taxpayer, or to a person or partnership with whom the other taxpayer does not deal at arm's length, to acquire the right to receive production from the other taxpayer.”

(2) Subsection 1 applies, subject to subsection 3, in respect of an expenditure made by a taxpayer after 17 September 2001 in respect of a right to receive production, unless

(1) the expenditure was

(a) required to be made under a written agreement made by the taxpayer before 18 September 2001;

(b) made under, or described in, the terms of a document that is a final prospectus, a preliminary prospectus or a registration statement that was, before 18 September 2001, filed with a public authority in Canada in accordance with the securities legislation of Canada or of a province and, if required by law, accepted for filing by the public authority before that date; or

(c) made under, or described in, the terms of an offering memorandum distributed as part of an offering of securities if

i. the offering memorandum contains a complete, or substantially complete, description of the securities contemplated in the offering as well as the terms and conditions of the offering;

ii. the offering memorandum was distributed before 18 September 2001;

iii. solicitations in respect of a sale of the securities contemplated in the offering were made before 18 September 2001; and

iv. the sale of the securities was substantially in accordance with the offering memorandum;

(2) the expenditure was made before 1 January 2002;

(3) the expenditure was made in consideration for services that were rendered in Canada before 1 January 2002 in respect of an activity, or a business, all or substantially all of which was carried on in Canada;

(4) there is no agreement, or other arrangement, under which the obligation of a taxpayer in respect of the expenditure can, after 17 September 2001, be changed, reduced or waived if there is a change to, or an adverse assessment under, the Act;

(5) if the right to receive production is, or is related to, a tax shelter investment within the meaning of section 851.38 of the Act, an identification number was assigned to the tax shelter by the Minister of Revenue under Book X.1 of Part I of the Act before 18 September 2001; and

(6) if the expenditure was made under, or described in, the terms of a document that is a final prospectus, a preliminary prospectus, a registration statement or an offering memorandum, and despite the fact that the expenditure was also made under a written agreement,

(a) the funds raised pursuant to the document that may reasonably be used to make a matchable expenditure were received by the taxpayer before 1 January 2002;

(b) all or substantially all of the securities distributed pursuant to the document for the purpose of raising the funds described in subparagraph *a* were acquired before 1 January 2002 by a person who is not

i. a promoter, or a mandatary of a promoter, of the securities, other than a mandatary of the promoter who acquired the securities as mandator and not for resale;

ii. a vendor of the right to receive production;

iii. a securities dealer, other than a person who acquired the securities as mandator and not for resale; or

iv. a person who does not deal at arm's length with a person to whom subparagraph i or ii applies; and

(c) all or substantially all of the funds raised pursuant to the document before 1 January 2002 were used to make expenditures provided for in agreements in writing made before 18 September 2001.

(3) Subsection 1 does not apply in respect of an expenditure made by a taxpayer in respect of a right to receive production in respect of a film or video production if

(1) an expenditure in respect of the film or video production

(a) was made before 18 September 2001, as determined, for the purposes of this paragraph 1, without reference to section 851.45 of the Act, unless a repaid amount for the purposes of that section is paid after 31 December 2002; or

(b) was required to be made by the taxpayer under a written agreement made before 18 September 2001;

(2) principal photography of the film or video production was conducted primarily in Canada, began before 1 January 2002 and was primarily completed before 1 April 2002;

(3) the expenditure

(a) was made before 1 April 2002 in the course of the taxpayer's business of providing production services in respect of the film or video production, as determined for the purposes of this paragraph 3 without reference to section 851.45 of the Act, except to the extent that a repaid amount for the purposes of that section is paid after 31 December 2002;

(b) was made under, or described in, the terms of a document (in this subsection referred to as the "document") that is referred to in subparagraph *b* or *c* of paragraph 1 of subsection 2; and

(c) was not an amount in respect of advertising, marketing, promotion or market research;

(4) unless the film or video production is a designated production of the taxpayer, at least 75% of the total of all expenditures, each of which is an expenditure made by the taxpayer in the course of the business referred to in subparagraph *a* of paragraph 3, is an expenditure described in that subparagraph *a* made in consideration for the supply of goods or services that are supplied or rendered in Canada before 1 April 2002 by persons that are subject to tax on the expenditure under Part I or XIII of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);



(5) there is no agreement, or other arrangement, under which the obligation of a taxpayer to acquire a security distributed pursuant to a document can, after 18 September 2001, be changed, reduced or waived if there is a change to, or an adverse assessment under, the Act;

(6) if the right to receive production is, or is related to, a tax shelter investment, within the meaning of section 851.38 of the Act, an identification number was assigned to the tax shelter by the Minister of Revenue under Book X.1 of Part I of the Act before 18 September 2001;

(7) the funds raised pursuant to the document that may reasonably be used to make a matchable expenditure before 1 April 2002 in respect of the film or video production are received by the taxpayer before 1 January 2003;

(8) the securities distributed pursuant to the document for the purpose of raising the funds described in paragraph 7 were acquired before 1 January 2002;

(9) all or substantially all of the securities distributed pursuant to the document for the purpose of raising the funds described in paragraph 7 were acquired by a person who is not

(a) a promoter, or a mandatary of a promoter, of the securities, other than a mandatary of the promoter who acquired the securities as mandator and not for resale;

(b) a vendor of the right to receive production;

(c) a securities dealer, other than a person who acquired the security as mandator and not for resale; or

(d) a person who does not deal at arm's length with a person referred to in subparagraph *a* or *b*; and

(10) all or substantially all of the matchable expenditures made by the taxpayer that are wholly attributable to the principal photography of the film or video production, other than a designated production of the taxpayer, are wholly attributable to principal photography conducted in Canada.

(4) For the purposes of paragraphs 4 and 10 of subsection 3, a designated production of a taxpayer is

(1) a film or video production in respect of which

(a) all of the expenditures made by the taxpayer in respect of the film or video production were required to be made under a written agreement made before 18 September 2001;

(b) if the taxpayer is a partnership,

i. the taxpayer's expenditures in respect of the film or video production were funded, in whole or in part, with funds raised from the initial contribution of capital of members of the taxpayer, pursuant to subscriptions in writing for the issue of interests in the taxpayer;

ii. all or substantially all of those subscriptions in writing were received by the taxpayer before 19 September 2001;

iii. at least one member of the taxpayer referred to in subparagraph *a* is a partnership (in this subsection referred to as a "master partnership");

iv. the subscriptions in writing of all master partnerships for interests in the taxpayer were funded, in whole or in part, with funds raised from the initial contribution of capital of members of the master partnerships, pursuant to subscriptions in writing for the issue of interests in the master partnerships; and

v. all or substantially all of the subscriptions in writing referred to in subparagraph *iv* were received by the master partnership before 19 September 2001;

(*c*) if a member of a particular master partnership is a partnership (in this subsection referred to as an "original master partnership"),

i. the subscriptions in writing of all original master partnerships for interests in the particular master partnership were funded, in whole or in part, with funds raised from the initial contribution of capital of members of the original master partnerships, pursuant to subscriptions in writing for the issue of interests in the original master partnerships; and

ii. all or substantially all of those subscriptions in writing were received by the original master partnership before 19 September 2001; and

(*d*) no member of an original master partnership is a partnership, an interest in which is a tax shelter; or

(2) a film or video production in respect of which

(*a*) principal photography was all or substantially all completed before 18 September 2001; and

(*b*) all or substantially all of the taxpayer's expenditures were made before 19 September 2001, as determined, for the purposes of this subparagraph *b*, without reference to section 851.45 of the Act, unless a repaid amount for the purposes of that section is paid after 31 December 2002.

**65.** (1) Section 184 of the Act is amended

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

“**184.** If the sale of all or substantially all the property of a business includes debts that have been or will be included in computing the vendor’s income for a previous year or for the taxation year or debts arising from loans made in the ordinary course of the business if part of the vendor’s ordinary business has been the lending of money, the purchaser proposes to continue to carry on the business, and the vendor and the purchaser make a valid election under subsection 1 of section 22 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the sale, the following rules apply:”;

(2) by replacing “aux fins” in paragraphs *b* and *c* in the French text by “pour l’application”;

(3) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 22 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 20 December 2006.

**66.** (1) Section 185 of the Act is replaced by the following section:

“**185.** Subject to section 422, a declaration made by the vendor and the purchaser, in respect of the amount paid for the debts assigned, under this section, as it read before 20 December 2006, or, in the case of a valid election made under subsection 1 of section 22 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006, under subsection 2 of section 22 of that Act, is binding on the parties as against the Minister to the extent that it may be relevant in respect of any matter arising under this Part.”

(2) Subsection 1 has effect from 20 December 2006.

**67.** (1) Section 190 of the Act is replaced by the following section:

“**190.** If an individual who was the sole proprietor of a business disposed of it during a fiscal period of the business, the fiscal period is referred to in the third or fourth paragraph of section 7 and the individual makes a valid election under subsection 1 of section 25 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the fiscal period, Division II of Chapter II is to be read without reference to the exception provided for in paragraph *a* of section 95 and sections 188 and 189 are to be read without reference to paragraph *d* of section 188, for the purpose of computing the individual’s income for the fiscal period.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 25 of the Income Tax Act.”

(2) Subsection 1 has effect from 20 December 2006. However, when section 190 of the Act has effect after 19 December 2006 and it applies to a fiscal period that is referred to in the second paragraph of section 7 of the Act, as amended by section 13, it is to be read as follows:

“**190.** Where an individual who was the sole proprietor of a business disposed of it during a fiscal period of the business, the fiscal period is—if the individual makes a valid election under subsection 1 of section 25 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the fiscal period and the first paragraph of section 7.0.3 does not apply in respect of the business—deemed to have ended at the time it would have ended if the individual had not disposed of the business during the fiscal period.

For the purpose of computing an individual’s income for a fiscal period of a business to which the first paragraph applies, Division II of Chapter II is to be read without reference to the exception provided for in paragraph *a* of section 95 and sections 188 and 189 are to be read without reference to paragraph *d* of section 188.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 25 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

**63.** (1) Section 194 of the Act is amended

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

“**194.** A taxpayer shall compute income from a farming business or fishing business for a taxation year in accordance with the cash method, by which the income from the business is deemed to be equal to the aggregate determined in the second paragraph minus the aggregate determined in the third paragraph, if the taxpayer makes, in relation to the year, a valid election under subsection 1 of section 28 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 of the method provided for in that subsection 1 for computing the taxpayer’s income from a farming business or fishing business.”;

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

“If a farming business or fishing business is carried on by several persons, an election referred to in the first paragraph is not valid for any of those persons in respect of the business unless each of them makes such an election in respect of the business.”;

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

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 28 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**69.** (1) Section 195 of the Act is replaced by the following section:

**“195.** If a taxpayer has used, for a taxation year, in respect of a farming business or fishing business, the cash method provided for in section 194 because of an election referred to in the first paragraph of that section made in relation to the year, the income from the business for a subsequent taxation year must be computed in accordance with the same method, subject to the other provisions of this Part, unless the taxpayer makes a valid election under subsection 3 of section 28 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 of a method other than the method provided for in subsection 1 of section 28 of that Act, in which case that income must instead be computed in accordance with that other method.

Any condition determined by the Minister of National Revenue for the election referred to in the first paragraph made under subsection 3 of section 28 of the Income Tax Act applies, with the necessary modifications, in computing the income from the farming business or fishing business.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 28 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**70.** (1) Section 199 of the Act is replaced by the following section:

**“199.** The rules set out in this division apply if a taxpayer who has a basic herd of a particular class of animals and disposes of an animal of that class in carrying on a farming business in a taxation year makes, in relation to that year, a valid election under subsection 1 of section 29 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to that business.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 29 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**71.** (1) Section 200 of the Act is amended by replacing the portion before paragraph *b* by the following:

“**200.** In the case of a disposition referred to in the first paragraph of section 199 of an animal of a class, the taxpayer shall deduct

(*a*) in counting the taxpayer’s basic herd of that class at the end of the year, the least of the number the taxpayer designates in relation to the basic herd, under paragraph *a* of subsection 1 of section 29 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in the election referred to in the first paragraph of section 199, the taxpayer’s basic herd of that class of animals at the end of the preceding taxation year, the number of animals of that class disposed of by the taxpayer in the year, and one-tenth of the taxpayer’s basic herd of that class on 31 December 1971; and”.

(2) Subsection 1 has effect from 20 December 2006.

**72.** (1) Section 209.4 of the Act is amended by replacing “678” in the second paragraph by “680”.

(2) Subsection 1 has effect from 21 December 2002.

**73.** (1) Sections 215 and 216 of the Act are replaced by the following sections:

“**215.** For the purpose of computing the income of a taxpayer for a taxation year from a business that is the professional practice of an accountant, dentist, advocate, physician, veterinarian or chiropractor, no amount is to be included in respect of work in progress at the end of the year if the taxpayer makes, in relation to the year, a valid election under paragraph *a* of section 34 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the business.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *a* of section 34 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

“**216.** If a taxpayer has not, in respect of a business, included any amount in respect of work in progress at the end of a taxation year because of an election referred to in the first paragraph of section 215 made in relation to the year, the taxpayer shall apply that paragraph for the purpose of computing the taxpayer’s income from the business for subsequent taxation years, unless the taxation year is a year in relation to which a revocation, made by the taxpayer under paragraph *b* of section 34 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006, of an election made under paragraph *a* of section 34 of that Act in respect of the business, is valid.

Any condition determined by the Minister of National Revenue for the revocation referred to in the first paragraph applies, with the necessary modifications, in computing the income from the business.

Chapter V.2 of Title II of Book I applies in relation to a revocation made under paragraph *b* of section 34 of the Income Tax Act or in relation to a revocation made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**74.** (1) Section 217.2 of the Act is amended

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

**“217.2.** If an individual, other than a testamentary trust, carries on a business in a taxation year, a particular fiscal period of the business begins in the year and ends after the end of the year, and the individual has made an election referred to in the first paragraph of section 7.0.3 in respect of the business, where the particular fiscal period is a fiscal period referred to in the second paragraph of section 7, or has made an election under subsection 4 of section 249.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the business, where the particular fiscal period is a fiscal period referred to in the third or fourth paragraph of section 7, the individual shall, if the election has not been revoked, include, in computing the individual’s income for the year from the business, the amount determined by the formula”;

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

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 249.1 of the Income Tax Act in relation to a fiscal period referred to in the third or fourth paragraph of section 7.”

(2) Subsection 1 has effect from 20 December 2006.

**75.** (1) Section 217.3 of the Act is amended by replacing the portion of the first paragraph before subparagraph *a* by the following:

**“217.3.** If an individual, other than a testamentary trust, begins carrying on a business in a taxation year but not earlier than the beginning of the first fiscal period of the business that begins in the year and ends after the end of the year (in this section referred to as the “particular fiscal period”) and the individual has made an election referred to in the first paragraph of section 7.0.3 in respect of the business, where the particular fiscal period is a fiscal period referred to in the second paragraph of section 7, or has made an election under subsection 4 of section 249.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the business, where the particular fiscal period is a fiscal period referred to in the

third or fourth paragraph of section 7, the individual shall, if the election has not been revoked, include, in computing the individual's income for the year from the business, the lesser of”.

(2) Subsection 1 has effect from 20 December 2006.

**76.** (1) Section 230 of the Act is amended by inserting “or transformed” after “consumed” in subparagraph *v* of subparagraph *c* of the first paragraph.

(2) Subsection 1 applies in respect of a cost incurred after 23 February 1998.

**77.** (1) The Act is amended by inserting the following section after section 231.3:

**“231.4.** If a taxpayer is entitled to an amount of an advantage in respect of a gift of a property described in section 231.2, the following rules apply:

(a) that section applies only to that proportion of the taxpayer's capital gain in respect of the gift that the eligible amount of the gift is of the taxpayer's proceeds of disposition in respect of the gift; and

(b) section 231 applies to the extent that the taxpayer's capital gain in respect of the gift exceeds the amount of the capital gain to which section 231.2 applies.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**78.** (1) Section 234.0.1 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the amount that the taxpayer claims as a deduction in the prescribed form filed with the taxpayer's fiscal return for the particular taxation year, not exceeding the eligible amount of the gift, if the taxpayer is not deemed under section 752.0.10.16 to have made a gift of a property before the end of the particular taxation year as a consequence of a disposition of the security by the donee or as a consequence of the security ceasing to be a non-qualifying security of the taxpayer before the end of that year.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**79.** (1) Section 235 of the Act is replaced by the following section:

**“235.** A taxpayer may not claim the reserve established under section 234 for a taxation year if

(a) at the end of the year or at any time in the following taxation year, the taxpayer is not resident in Canada or is exempt from tax under this Part;



(b) the purchaser of the property sold is a corporation that, immediately after the sale,

i. is controlled, directly or indirectly, in any manner whatever, by the taxpayer,

ii. is controlled, directly or indirectly, in any manner whatever, by a person or group of persons by whom the taxpayer is controlled, directly or indirectly, in any manner whatever, or

iii. if the taxpayer is a corporation, controls the taxpayer, directly or indirectly, in any manner whatever; or

(c) the purchaser of the property sold is a partnership in which the taxpayer is, immediately after the sale, a majority interest partner.”

(2) Subsection 1 applies in respect of a sale made after 20 December 2002.

**80.** Section 238 of the Act is amended by replacing “subsections 2 and 3 of section 424 apply” in paragraph *f* by “the second paragraph of section 424 applies”.

**81.** (1) Section 238.2 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) a share of the capital stock of a corporation that is acquired in exchange for another share in a transaction is deemed to be a property that is identical to the other share if

i. Division XIII of Chapter IV or Chapter V or VI of Title IX applies to the transaction, or

ii. the following conditions are met:

(1) Division VI of Chapter IV of Title IX applies to the transaction,

(2) the second paragraph of section 238.1 applied to a prior disposition of the other share, and

(3) none of the times described in any of subparagraphs i to v of subparagraph *b* of the second paragraph of section 238.1 has occurred in respect of the prior disposition;”.

(2) Subsection 1 applies in respect of a disposition of property that occurs after 26 April 1995. However, it does not apply in respect of a disposition of property by a person or partnership that occurred before 1 January 1996 and that is described in subsection 1 of section 307 of the Act to amend the Taxation Act and other legislative provisions (2000, chapter 5), unless the person or partnership made a valid election under subsection 2 of section 307 of that Act.

**82.** (1) Section 238.3.1 of the Act is replaced by the following section:

**“238.3.1.** If all or any portion of the capital loss of the succession of a deceased taxpayer, computed without reference to sections 238.1 and 238.3, from the disposition of a share of the capital stock of a corporation is, because of section 1054, considered to be a capital loss of the deceased taxpayer from the disposition of the share, sections 238.1 and 238.3 apply to the succession in respect of the loss only to the extent that the amount of the loss exceeds the portion of the loss that is determined under subparagraph *a* of the first paragraph of section 1054.”

(2) Subsection 1 has effect from 20 December 2006.

**83.** (1) Section 248 of the Act is amended

(1) by replacing “the property is redeemed in whole or in part or is cancelled” in subparagraph *i* of subparagraph *b* of the first paragraph by “the property is in whole or in part redeemed, acquired or cancelled”;

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

“*i.* the transferor and the transferee are trusts that are, at the time of the transfer, resident in Canada,”;

(3) by striking out subparagraph *ii* of subparagraph *b* of the second paragraph;

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

“*v.* the transferee is not a transferee who, in relation to the transfer, makes a valid election under subparagraph *v* of paragraph *f* of the definition of “disposition” in subsection 1 of section 248 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in order to avoid the application of that paragraph *f*,”;

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

“(*i.1*) any redemption, acquisition or cancellation of a share of the capital stock of a corporation (in this subparagraph referred to as the “issuing corporation”) or of a right to acquire such a share, which share or which right being referred to in this subparagraph as the “security”, held by another corporation (in this subparagraph referred to as the “disposing corporation”), if

*i.* the redemption, acquisition or cancellation occurs as part of a merger or combination of two or more corporations, including the issuing corporation and the disposing corporation, to form a new corporation,

ii. the merger or combination

(1) is an amalgamation, within the meaning of subsections 1 and 2 of section 544, to which section 550.9 does not apply,

(2) is an amalgamation, within the meaning of subsections 1 and 2 of section 544, to which section 550.9 applies, if the issuing corporation and the disposing corporation are described in section 550.9 as the parent and the subsidiary, respectively,

(3) is a foreign merger, within the meaning of section 555.0.1, or

(4) would be a foreign merger, within the meaning of section 555.0.1, if subparagraph ii of paragraph *c* of that section were read without reference to “resident in a country other than Canada”, and

iii. either

(1) the disposing corporation receives no consideration for the security, or

(2) in the case where the merger or combination is described in subparagraph 3 or 4 of subparagraph ii, the disposing corporation receives no consideration for the security other than property that was, immediately before the merger or combination, owned by the issuing corporation and that, on the merger or combination, becomes property of the new corporation; and”;

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

“Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph *v* of paragraph *f* of the definition of “disposition” in subsection 1 of section 248 of the Income Tax Act or in relation to an election made under subparagraph *v* of subparagraph *b* of the second paragraph before 20 December 2006.”

(2) Paragraphs 1 and 5 of subsection 1 apply in respect of a redemption, an acquisition or a cancellation that occurs after 23 December 1998. However, when a redemption, an acquisition or a cancellation occurred before 21 December 2002, the Minister of Revenue shall, for the purposes of Part I of the Act and despite sections 1010 to 1011 of the Act, make such assessments of tax, interest and penalties, for a taxation year that includes the time at which the redemption, acquisition or cancellation occurred, as are necessary to give effect to those paragraphs 1 and 5. 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 assessments.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of a transfer that occurs after 27 February 2004.

(4) Paragraphs 4 and 6 of subsection 1 have effect from 20 December 2006.

**84.** (1) The Act is amended by inserting the following section after section 248:

**“248.1.** A redemption, an acquisition or a cancellation, at a particular time after 31 December 1971 and before 24 December 1998, of a share of the capital stock of a corporation (in this section referred to as the “issuing corporation”) or of a right to acquire a share, which share or which right being referred to in this section as the “security”, held by another corporation (in this section referred to as the “disposing corporation”), is not a disposition, within the meaning of section 248 as it read in respect of transactions and events that occurred at the particular time, if

(a) the redemption, acquisition or cancellation occurred as part of a merger or combination of two or more corporations, including the issuing corporation and the disposing corporation, to form a new corporation;

(b) the merger or combination

i. is an amalgamation, within the meaning of subsections 1 and 2 of section 544 as they read at the particular time, to which section 550.9 if in force, and as it read, at the particular time, does not apply,

ii. is an amalgamation, within the meaning of subsections 1 and 2 of section 544 as they read at the particular time, to which section 550.9 if in force, and as it read, at the particular time, applies, if the issuing corporation and the disposing corporation are described in section 550.9, if in force, and as it read, at the particular time, as the parent and the subsidiary, respectively,

iii. occurred before 13 November 1981 and is a merger of corporations that is described in section 555, as it read in respect of the merger or combination, or

iv. occurred after 12 November 1981 and

(1) is a foreign merger, within the meaning of section 555.0.1 as it read in respect of the merger or combination, or

(2) the conditions set out in the second paragraph are met; and

(c) either

i. the disposing corporation received no consideration for the security, or

ii. in the case where the merger or combination is described in subparagraph iv of subparagraph b, the disposing corporation received no consideration for the security other than property that was, immediately before the merger or combination, owned by the issuing corporation and that, on the merger or combination, became property of the new corporation.

The conditions to which subparagraph 2 of subparagraph iv of subparagraph *b* of the first paragraph refers are the following:

(a) the merger or combination is not a foreign merger, within the meaning of section 555.0.1, as it read in respect of the merger or combination;

(b) section 555.0.1, as it read in respect of the merger or combination, contained a subparagraph ii in its paragraph *c*; and

(c) the merger or combination would be a foreign merger, within the meaning of section 555.0.1, as it read in respect of the merger or combination, if subparagraph ii of paragraph *c* of that section were read as follows:

“ii. another foreign corporation (in this section referred to as the “parent corporation”), if, immediately after the merger, the new foreign corporation was controlled by the parent corporation.””

(2) When section 248.1 of the Act, enacted by subsection 1, applies in respect of a redemption, an acquisition or a cancellation, the Minister of Revenue shall, for the purposes of Part I of the Act and despite sections 1010 to 1011 of the Act, make such assessments of tax, interest and penalties, for a taxation year that includes the time at which the redemption, acquisition or cancellation occurred, as are necessary to give effect to that 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 assessments.

**85.** (1) Section 250.1 of the Act is replaced by the following section:

**“250.1.** Subject to section 250.3, if a Canadian security is disposed of by a taxpayer in a taxation year and the taxpayer makes a valid election under subsection 4 of section 39 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 as a consequence of the disposition, every Canadian security owned by the taxpayer in the year or any subsequent taxation year is deemed to be a capital property owned by the taxpayer and every disposition by the taxpayer of any such Canadian security is deemed to be a disposition of a capital property.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 39 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**86.** (1) Section 250.3 of the Act is amended by replacing “An election referred to in” in the portion before paragraph *a* by “The first paragraph of”.

(2) Subsection 1 has effect from 20 December 2006.

**87.** (1) Section 255 of the Act is amended by replacing paragraph *c* by the following paragraph:

“(c) where the property is an indemnity, within the meaning of sections 469 to 479, or is deemed to be such an indemnity under those sections, the amount to be added under subparagraph *b* of the first paragraph of section 471;”.

(2) Subsection 1 has effect from 20 December 2006.

**88.** (1) Section 257 of the Act is amended

(1) by replacing paragraph *f* by the following paragraph:

“(f) where the property is an indemnity within the meaning of sections 469 to 479, or is deemed to be such an indemnity under those sections, the amount required by subparagraph *b* of the first paragraph of section 471 to be deducted;”;

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

“i. any amount required by subparagraph *d* of the first paragraph of section 477 and sections 585 to 588 to be deducted, and”;

(3) by replacing subparagraph *iii* of paragraph *l* by the following subparagraph:

“iii. any amount deemed, under section 714 or 752.0.10.11, to be the eligible amount of a gift made by the taxpayer as a member of the partnership at the end of any fiscal period of the partnership ending before that time;”;

(4) by inserting the following subparagraph after subparagraph 1 of subparagraph *i.1* of paragraph *n*:

“(1.1) that is deemed to be a dividend received by the taxpayer under section 663.4.”.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 20 December 2006.

(3) Paragraph 3 of subsection 1 applies in respect of a gift made after 20 December 2002.

(4) Paragraph 4 of subsection 1 has effect from 31 October 2006.

**89.** (1) Section 259.0.1 of the Act is amended by replacing “section 49.2.3” in paragraph *b* by “the first paragraph of section 49.2.3”.

(2) Subsection 1 has effect from 20 December 2006.

**90.** (1) Section 259.1 of the Act is amended by replacing “paragraph *a* of section 688, 688.1, 691, 692 or 692.8” in the portion before paragraph *a* by “subparagraph *a* of the first paragraph of section 688 or 688.1, paragraph *a* of section 692.8”.

(2) Subsection 1 has effect from 28 February 2004.

**91.** (1) Section 261.2 of the Act is replaced by the following section:

“**261.2.** A taxpayer that is a member of a partnership at a particular time corresponding to the end of a fiscal period of the partnership, that is a corporation, an individual other than a trust, or an *inter vivos* trust, and that makes, in relation to that fiscal period, a valid election under subsection 3.12 of section 40 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the taxpayer’s interest in the partnership, is deemed to have a loss from the disposition at the particular time of the taxpayer’s interest in the partnership equal to the least of

(a) the amount by which the aggregate of all amounts each of which is an amount deemed under section 261.1 to be a gain of the taxpayer from a disposition of the interest before the particular time exceeds the aggregate of all amounts each of which is an amount deemed under this section to be a loss of the taxpayer from a disposition of the interest before the particular time;

(b) the adjusted cost base to the taxpayer of the interest at the particular time; and

(c) the total of the amount for which the election is made and, if that amount is the maximum amount for which the election can be made, the amount that the taxpayer designates in respect of the interest in the taxpayer’s fiscal return filed under this Part for the taxation year that includes the particular time.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3.12 of section 40 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**92.** (1) Section 274 of the Act is amended

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

“*i.* an election referred to in the first paragraph of section 284 that relates to the change in use of the particular property in the year or a preceding taxation year, other than such an election in relation to which the second paragraph of that section applies for the year or a preceding taxation year, or

“ii. an election referred to in the first paragraph of section 286.1 that relates to a change in use of the particular property in a subsequent taxation 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 has effect from 20 December 2006.

**93.** (1) Section 274.0.1 of the Act is amended

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

“i. an election referred to in the first paragraph of section 284 that relates to the change in use of the particular property in the year or a preceding taxation year, other than such an election in relation to which the second paragraph of that section applies for the year or a preceding taxation year, or

“ii. an election referred to in the first paragraph of section 286.1 that relates to a change in use of the particular property in a subsequent taxation 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 has effect from 20 December 2006.

**94.** (1) Section 277.1 of the Act is amended by replacing “or “total Crown gifts”” in the portion before paragraph *a* by “, “total Crown gifts” or “total gifts of qualified property””.

(2) Subsection 1 applies in respect of a disposition that occurs after 12 May 1994.

**95.** (1) Section 279 of the Act is replaced by the following section:

**“279.** In the case provided for in section 278, if the taxpayer acquires the replacement property referred to in that section in a taxation year and the taxpayer makes a valid election under subsection 1 of section 44 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the former property or, if section 278.1 applies, the taxpayer so elects in the taxpayer’s fiscal return filed in accordance with section 1000 for the taxation year, the following rules apply:



(a) the gain for a particular taxation year from the disposition of the former property is deemed to be equal to the amount by which the amount that the taxpayer may claim as a deduction and that does not exceed, subject to section 279.1, the amount determined under the second paragraph is exceeded by whichever of the following amounts is applicable:

i. if the particular year is the year in which the proceeds of disposition of the former property become due to the taxpayer, the lesser of the amount determined under the third paragraph and the amount determined under the fourth paragraph, or

ii. if the particular year is subsequent to the year in which the proceeds of disposition of the former property become due to the taxpayer, the amount that the taxpayer has deducted under this subparagraph *a* from the amount determined under subparagraph i or this subparagraph ii in computing the taxpayer's gain for the year preceding the particular year from the disposition of the former property; and

(b) the cost or, in the case of depreciable property, the capital cost, to the taxpayer, of the replacement property at any time after the time of the disposition of the former property by the taxpayer, is deemed to be the cost otherwise determined, minus the amount by which the amount determined under the third paragraph exceeds the amount determined under the fourth paragraph.

The amount referred to in the portion of subparagraph *a* of the first paragraph before subparagraph i is equal to the lesser of

(a) a reasonable amount as a reserve in respect of the portion of the proceeds of disposition of the former property that is payable to the taxpayer after the end of the particular year as can reasonably be regarded as a portion of the amount determined under subparagraph i of subparagraph *a* of the first paragraph in respect of the property;

(b) an amount equal to the product obtained when  $\frac{1}{5}$  of the amount determined under subparagraph i of subparagraph *a* of the first paragraph in respect of the property is multiplied by the amount by which 4 exceeds the number of preceding taxation years of the taxpayer ending after the disposition of the property; and

(c) unless section 278.1 applies, the amount allowed as a deduction for the year under subparagraph iii of paragraph *e* of subsection 1 of section 44 of the Income Tax Act in computing the taxpayer's gain for the particular year from the disposition of the property.

The first amount to which subparagraph i of subparagraph *a* and subparagraph *b* of the first paragraph refer is equal to the amount by which the proceeds of disposition of the former property exceed the aggregate of the adjusted cost base of the former property to the taxpayer immediately before the disposition and the outlays made or expenses incurred by the

taxpayer for the purpose of making the disposition or, in the case of depreciable property, the lesser of such aggregate and the proceeds of disposition of the former property determined without reference to section 280.3.

The second amount to which subparagraph *i* of subparagraph *a* and subparagraph *b* of the first paragraph refer is equal to the amount by which the proceeds of disposition of the former property exceed the aggregate of the cost or, in the case of depreciable property, the capital cost, to the taxpayer, determined without reference to subparagraph *b* of the first paragraph, of the replacement property and the outlays made or expenses incurred by the taxpayer for the purpose of making the disposition.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 44 of the Income Tax Act or in relation to an election made under this section before 20 December 2006 but otherwise than as a consequence of the application of section 278.1.”

(2) Subsection 1 has effect from 20 December 2006. However, when section 279 of the Act applies to a taxation year that ends before 8 May 2008, it is to be read without reference to subparagraph *c* of its second paragraph.

**96.** (1) Section 279.1 of the Act is amended by replacing “claim”, “paragraph *a* of section 279” and “that paragraph” by “claim as a deduction”, “subparagraph *a* of the first paragraph of section 279” and “subparagraph *b* of the second paragraph of that section”, respectively.

(2) Subsection 1 has effect from 20 December 2006.

**97.** (1) Section 280 of the Act is amended by replacing “paragraph *b* of section 785.2” in paragraph *d* by “subparagraph *b* of the first paragraph of section 785.2”.

(2) Subsection 1 has effect from 20 December 2006.

**98.** (1) Section 280.1 of the Act is amended

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

**“280.1.** A taxpayer who makes an election referred to in subsection 2 of section 96 or the first paragraph of section 279, as the case may be, in respect of a former property that was a depreciable property of the taxpayer, is deemed to also make an election referred to in the first paragraph of section 279 or subsection 2 of section 96, as the case may be, in respect of the same property.”;

(2) by replacing “an election under section 279” in the second paragraph by “an election referred to in the first paragraph of section 279”.

(2) Subsection 1 has effect from 20 December 2006.

**99.** (1) Sections 280.3 and 280.4 of the Act are replaced by the following sections:

**“280.3.** For the purposes of this Title, if a taxpayer has disposed of a former business property that was in part a building and in part the land adjacent to, or immediately contiguous to and necessary for the use of, the building or an interest in such a property, and the taxpayer makes a valid election under subsection 6 of section 44 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the disposition, the amount by which the proceeds of disposition of one such part determined without reference to this section exceed the adjusted cost base to the taxpayer of that part is, without exceeding the total of the amount for which the election is made in respect of that part and, when the amount is the maximum amount for which the election may be made in respect of that part, the amount that the taxpayer specifies in relation to that part in the taxpayer’s fiscal return filed under this Part for the taxation year in which the taxpayer acquired a replacement property for the former business property, deemed not to be proceeds of disposition of that part and to be proceeds of disposition of the other part.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 44 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

**“280.4.** Section 235 applies, with the necessary modifications, to the amount that a taxpayer may deduct under subparagraph *a* of the first paragraph of section 279, from the amount determined under subparagraph *i* or *ii* of that subparagraph *a* in computing a gain for a taxation year.”

(2) Subsection 1 has effect from 20 December 2006.

**100.** (1) Section 280.10 of the Act is amended by replacing the portion before paragraph *b* by the following:

**“280.10.** For the purposes of this division, if an individual receives shares of the capital stock of a particular corporation that are eligible small business corporation shares of the individual (in this section referred to as the “new shares”), as the sole consideration for the disposition by the individual of shares issued by the particular corporation or by another corporation that were eligible small business corporation shares of the individual (in this section referred to as the “exchanged shares”), the new shares are deemed to have been owned by the individual throughout the period that the exchanged shares were owned by the individual if

(*a*) Division XIII, paragraph *c* of section 528, sections 536 to 539, Chapter V of Title IX or sections 551 to 553.1 and 554 applied in respect of the individual in relation to the new shares; and”.

(2) Subsection 1 applies in respect of a disposition that occurs after 27 February 2000.

**101.** (1) Section 280.11 of the Act is amended by replacing the portion before paragraph *b* by the following:

**“280.11.** For the purposes of this division, if an individual receives common shares of the capital stock of a particular corporation (in this section referred to as the “new shares”), as the sole consideration for the disposition by the individual of common shares of the particular corporation or of another corporation (in this section referred to as the “exchanged shares”), the new shares are deemed to be eligible small business corporation shares of the individual and shares of the capital stock of an eligible business corporation that were owned by the individual throughout the period that the exchanged shares were owned by the individual if

(a) Division XIII, paragraph *c* of section 528, sections 536 to 539, Chapter V of Title IX or sections 551 to 553.1 and 554 applied in respect of the individual in relation to the new shares;”.

(2) Subsection 1 applies in respect of a disposition that occurs after 27 February 2000.

**102.** (1) Section 280.16 of the Act is amended

(1) by inserting “a transaction or event or” after “as part of” in the portion of paragraph *a* before subparagraph *i*;

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

“(b) the new shares, or shares for which the new shares are substituted property, were issued

i. by the corporation that issued the old shares,

ii. by a corporation that, at or immediately after the time of issue of the new shares, was a corporation that was not dealing at arm’s length with the corporation that issued the old shares or with the individual, or

iii. by a corporation that acquired the old shares, or by another corporation related to that corporation, as part of the transaction or event or series of transactions or events that included that acquisition of the old shares; and”.

(2) Subsection 1 applies in respect of a disposition that occurs after 27 February 2004.

**103.** (1) The Act is amended by inserting the following section after section 280.16:

**“280.17.** For the purposes of this division, an individual is deemed to dispose of shares that are identical properties in the order in which the individual acquired them.”

(2) Subsection 1 applies in respect of a disposition that occurs after 20 December 2002 and, if an individual so elects in writing and files the election with the Minister of Revenue on or before the individual’s filing-due date, within the meaning of section 1 of the Act, for the individual’s taxation year that includes 15 May 2009, subsection 1 applies, in relation to the individual, in respect of a disposition that occurs after 27 February 2000.

**104.** (1) Section 284 of the Act is replaced by the following section:

**“284.** For the purposes of this Title and sections 93 to 104, if section 281, to the extent that it concerns a property that begins to be used to gain income, or paragraph *b* of section 99 would otherwise apply for a taxation year in respect of a property of a taxpayer and the taxpayer makes a valid election under subsection 2 of section 45 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the change in use of the property, the taxpayer is deemed not to have begun to use the property for the purpose of gaining income.

However, if a taxpayer rescinds, after 19 December 2006, in accordance with subsection 2 of section 45 of the Income Tax Act, a particular election that the taxpayer made under that subsection 2 in relation to a change in use of a property, the taxpayer is deemed to have begun to use the property for the purpose of gaining income on the first day of the subsequent taxation year referred to in that subsection 2 in respect of the property if

(a) the particular election was made after 19 December 2006; or

(b) the taxpayer made a valid election under the first paragraph before 20 December 2006 in relation to the change in use of the property and did not rescind that election before that date in accordance with this paragraph.

Chapter V.2 of Title II of Book I applies in relation to an election made or rescinded under subsection 2 of section 45 of the Income Tax Act or in relation to an election made or rescinded under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**105.** (1) Section 286.1 of the Act is replaced by the following section:

**“286.1.** If, at any time, a property that was acquired by a taxpayer for the purpose of gaining income ceases to be used for that purpose and becomes the taxpayer’s principal residence, sections 281 to 283 do not apply to deem

the taxpayer to have disposed of the property at that time and to have reacquired it immediately after that time, if the taxpayer makes a valid election under subsection 3 of section 45 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the change in use of the property.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 45 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**106.** (1) Section 286.2 of the Act is repealed.

(2) Subsection 1 has effect from 20 December 2006.

**107.** (1) Section 306.1 of the Act is replaced by the following section:

**“306.1.** Despite any other provision of this Act, if a corporation disposes of a property to another corporation in a transaction to which paragraph *l* of subsection 1 of section 219 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) applies, the cost to it of a share of a particular class of the capital stock of the other corporation received by it as consideration for the property is deemed to be equal to the lesser of the cost of the share to the corporation otherwise determined immediately after the disposition and the amount by which the paid-up capital of that class increases because of the issuance of that share.”

(2) Subsection 1 applies to a taxation year that begins after 31 December 1995.

**108.** (1) Section 308.6 of the Act is amended

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

“*i.* subject to subparagraphs *iii* to *v*, if, in accordance with subparagraph *i* of paragraph *f* of subsection 5 of section 55 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the corporation designates, after 19 December 2006, a portion of the taxable dividend, or, if the taxable dividend is a particular amount that is deemed to be a dividend or taxable dividend, a portion of the amount, corresponding to the particular amount and in this subparagraph *i* and subparagraph *iv* referred to as the “deemed dividend for federal purposes”, that is deemed to be a dividend or taxable dividend for the purposes of that Act, as a separate taxable dividend, the portion of the taxable dividend that is equal to the lesser of the following amounts is deemed to be a separate taxable dividend:

(1) the aggregate of the amount of the so designated separate taxable dividend and of the deemed separate taxable dividend under subparagraph ii of paragraph *f* of subsection 5 of section 55 of the Income Tax Act, that does not give rise to the application of subsection 2 of section 55 of that Act in its respect, and—if the designated or deemed separate taxable dividend corresponds to the maximum portion of the taxable dividend or deemed dividend for federal purposes that could, if it were a separate taxable dividend, then be received by the corporation without giving rise to the application of that subsection 2 in its respect—of the amount that the corporation specifies in the fiscal return it is required to file for the taxation year in which the dividend is received, and

(2) an amount equal to the maximum portion of the taxable dividend that could, if it were a separate taxable dividend, then be received by the corporation without giving rise to the application of section 308.1 in its respect,

“ii. subject to subparagraphs iii to v, the portion of the taxable dividend that exceeds the amount of the deemed separate taxable dividend under subparagraph i is deemed to be a separate taxable dividend.”;

(2) by adding the following subparagraphs after subparagraph ii of subparagraph *f* of the first paragraph:

“iii. if the designated separate taxable dividend and the deemed separate taxable dividend, which are referred to in subparagraph 1 of subparagraph i, are each dividends that do not give rise to the application of subsection 2 of section 55 of the Income Tax Act in their respect, that subparagraph 1 is to be read as follows:

“(1) the aggregate of the total of the amount of the so designated separate taxable dividend and the amount of the deemed separate taxable dividend under subparagraph ii of paragraph *f* of subsection 5 of section 55 of the Income Tax Act, and the amount that the corporation specifies in the fiscal return it is required to file for the taxation year in which the dividend is received, and”;

“iv. if the designated separate taxable dividend and the deemed separate taxable dividend, which are referred to in subparagraph 1 of subparagraph i, each give rise to the application of subsection 2 of section 55 of the Income Tax Act in their respect,

(1) subparagraph i must—if no portion of the capital gain referred to in subsection 2 of section 55 of the Income Tax Act in respect of each of those separate taxable dividends can reasonably be attributed to income earned or realized by a corporation after 1971 and before the safe-income determination time in relation to the transaction, event or series of transactions or events, as part of which the dividend is received, as determined for the purposes of section 55 of that Act—be applied as if the portion designated by the corporation in accordance with subparagraph i of paragraph *f* of subsection 5

of section 55 of the Income Tax Act, in respect of the taxable dividend or deemed dividend for federal purposes, were equal to zero and were a taxable dividend that does not give rise to the application of subsection 2 of section 55 of that Act in its respect, and

(2) in any other case, subparagraphs i and ii do not apply and the taxable dividend is deemed to be a dividend referred to in section 308.2,

“v. if the designation referred to in subparagraph i is not made, that subparagraph must be applied as if the corporation had designated, after 19 December 2006 and in accordance with subparagraph i of paragraph *f* of subsection 5 of section 55 of the Income Tax Act, a portion of the taxable dividend or, if the taxable dividend is a particular amount that is deemed to be a dividend or taxable dividend, a portion of the amount, corresponding to the particular amount and in subparagraphs 1 and 2 and subparagraph vi referred to as the “deemed dividend for federal purposes”, that is deemed to be a dividend or taxable dividend for the purposes of that Act, that is equal

(1) to zero, and that must be considered as a taxable dividend that does not give rise to the application of subsection 2 of section 55 of the Income Tax Act in its respect, if no portion of the capital gain referred to in that subsection 2 in respect of the taxable dividend or deemed dividend for federal purposes can reasonably be attributed to income earned or realized by a corporation after 1971 and before the safe-income determination time in relation to the transaction, event or series of transactions or events, as part of which the dividend is received, as determined for the purposes of section 55 of that Act, or

(2) to the maximum portion of the taxable dividend or deemed dividend for federal purposes that could, if it were a separate taxable dividend, then be received by the corporation without giving rise to the application of subsection 2 of section 55 of the Income Tax Act in its respect, if no portion of the taxable dividend or deemed dividend for federal purposes is deemed, under that subsection 2, not to be a dividend received by the corporation, and

“vi. if the designation referred to in subparagraph i is not made, subparagraph v does not apply, the taxable dividend or deemed dividend for federal purposes gives rise to the application of subsection 2 of section 55 of the Income Tax Act in its respect, and, but for this subparagraph vi, the taxable dividend would not give rise to the application of section 308.1 in its respect, the taxable dividend is deemed to be a dividend referred to in section 308.2.”;

(3) by replacing “réfère le sous-paragraphe iii du paragraphe *b* du premier alinéa” in the portion of the second paragraph before subparagraph *a* in the French text by “le sous-paragraphe iii du paragraphe *b* du premier alinéa fait référence”;



(4) by replacing “réfère en premier lieu le sous-paragraphe 1° du sous-paragraphe iii du paragraphe *b* du premier alinéa” in the third paragraph in the French text by “le sous-paragraphe 1° du sous-paragraphe iii du paragraphe *b* du premier alinéa fait référence en premier lieu”;

(5) by replacing “réfère en dernier lieu le sous-paragraphe 1° du sous-paragraphe iii du paragraphe *b* du premier alinéa” in the portion of the fourth paragraph before subparagraph *a* in the French text by “le sous-paragraphe 1° du sous-paragraphe iii du paragraphe *b* du premier alinéa fait référence en deuxième lieu”;

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

“Chapter V.2 of Title II of Book I applies in relation to a designation made under subparagraph *i* of paragraph *f* of subsection 5 of section 55 of the Income Tax Act or in relation to a designation made under subparagraph *i* of subparagraph *f* of the first paragraph before 20 December 2006.”

(2) Paragraphs 1, 2 and 6 of subsection 1 have effect from 20 December 2006.

**109.** (1) Section 311 of the Act is amended by inserting the following paragraph after paragraph *e.4*:

“(e.5) financial assistance, other than an amount attributable to child care expenses, under a program established by a government or government agency in Canada that provides income replacement benefits similar to income replacement benefits provided under a program established under the Employment Insurance Act;”.

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

**110.** (1) Section 312 of the Act is amended by adding the following paragraph after paragraph *i*:

“(j) an amount received in the year by the taxpayer or by a person who does not deal at arm’s length with the taxpayer on account of a debt in respect of which a deduction was made under paragraph *l* of section 336 in computing the taxpayer’s income for a preceding taxation year.”

(2) Subsection 1 has effect from 8 October 2003.

**111.** (1) Section 312.3 of the Act is amended

(1) by replacing subparagraph *i* of paragraph *b* of the definition of “commencement day” in the first paragraph by the following subparagraph:

“i. the day specified as the commencement day by the payer and the recipient of the child support amount payable or receivable under the agreement or order, in a valid election made under subparagraph i of paragraph *b* of the definition of “commencement day” in subsection 4 of section 56.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the agreement or order;”;

(2) by replacing subparagraph iv of paragraph *b* of the definition of “commencement day” in the first paragraph by the following subparagraph:

“iv. the day specified in the agreement or order, or any variation of the agreement or order, as the commencement day for the purposes of this Part or, if the day is specified in such a variation made after 19 December 2006, of the Income Tax Act;”;

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

“Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph i of paragraph *b* of the definition of “commencement day” in subsection 4 of section 56.1 of the Income Tax Act or in relation to an election made under subparagraph i of paragraph *b* of the definition of “commencement day” in the first paragraph before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**112.** (1) Section 313.0.1 of the Act is amended

(1) by replacing “this section and section 336.1 apply” in the first paragraph by “subsection 2 of each of sections 56.1 and 60.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) apply”;

(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”;

(3) by striking out the third paragraph.

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of an order issued by a competent tribunal after 19 December 2006 or of a written agreement entered into after that date.

**113.** (1) The Act is amended by inserting the following section after section 313.10:

“**313.11.** A taxpayer who is a transferee for the year, within the meaning of the first paragraph of section 336.8, shall also include any amount that is a split-retirement income for the year, determined in respect of the taxpayer for the purposes of Chapter II.1 of Title VI of Book III.

However, a taxpayer who dies in a taxation year shall include an amount under the first paragraph only in the fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the taxpayer's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

Similarly, a taxpayer who became a bankrupt during a calendar year shall include an amount under the first paragraph only in the fiscal return the taxpayer is required to file under this Part for the taxation year that is deemed, under section 779, to begin on the date of the bankruptcy."

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

**114.** (1) The Act is amended by inserting the following section after section 317.2:

**“317.3.** If an amount in respect of a foreign retirement arrangement is, as a result of a transaction, an event or a circumstance, considered to be distributed to an individual under the income tax laws of the country in which the arrangement is established, the amount is, for the purposes of subparagraph *d* of the first paragraph of section 317, deemed to be received by the individual as a payment out of the arrangement in the taxation year that includes the time of the transaction, event or circumstance.”

(2) Subsection 1 applies from the taxation year 1998. However, when section 317.3 of the Act applies to a taxation year that ends before 1 January 2002, it is to be read as follows:

**“317.3.** For the purposes of subparagraph *d* of the first paragraph of section 317, the following rules apply:

(a) if an amount in respect of a foreign retirement arrangement is considered, under section 408A(d)(3)(C) of the Internal Revenue Code of 1986 of the United States (in this section referred to as the “Code”), to be distributed to an individual as a result of a conversion of the arrangement after 31 December 1998 and before 1 January 2002, the amount is deemed to be received by the individual as a payment out of the arrangement in the taxation year that includes the time of the conversion; and

(b) if an individual received an amount as a payment out of a foreign retirement arrangement in the year 1998, or an amount is considered under section 408A(d)(3)(C) of the Code to be distributed to the individual as a result of a conversion of the arrangement in that year, the individual was resident in Canada at the time of the receipt or conversion and the amount is an amount to which section 408A(d)(3)(A)(iii) of the Code applies, the following rules apply:

i. the amount is deemed not to have been received by the individual, and

ii. an amount equal to the amount that is included under section 408A(d)(3)(A)(iii) or 408A(d)(3)(E) of the Code in the individual's gross income for a particular taxable year is deemed to be an amount received by the individual, in the taxation year that includes the day on which the particular year begins, as a payment out of the arrangement and, for the purposes of this subparagraph, the expressions "gross income" and "taxable year" have the meanings assigned by the Code."

**115.** (1) Section 333.1 of the Act is amended

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

**"333.1.** If in a particular taxation year proceeds of disposition, described in subparagraph *iv* of subparagraph *f* of the first paragraph of section 93, of any Canadian resource property are deemed, under section 280, to have become receivable by a taxpayer and the taxpayer makes a valid election under section 59.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to those proceeds, the taxpayer shall deduct in computing the taxpayer's income for the year an amount equal to the least of";

(2) by replacing "in subparagraph *i* of paragraph *b* of either section 412 or section 418.6" in paragraph *a* by "in subparagraph *i* of paragraph *b* of section 412 or 418.6";

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

"(*d*) the aggregate of the amount allowed as a deduction in computing the taxpayer's income for the year for the purposes of the Income Tax Act under paragraph *a* of section 59.1 of that Act in relation to that election and, if the amount that is so allowed as a deduction is equal to the maximum amount that the taxpayer may claim as a deduction in that computation under that paragraph in relation to that election, the amount that the taxpayer designates in the taxpayer's fiscal return filed under this Part for the year.";

(4) by adding the following paragraph:

"Chapter V.2 of Title II of Book I applies in relation to an election made under section 59.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006."

(2) Paragraphs 1, 3 and 4 of subsection 1 have effect from 20 December 2006.

**116.** (1) Sections 333.2 and 333.3 of the Act are replaced by the following sections:

**"333.2.** A taxpayer shall include, in computing the taxpayer's income for the taxation year in respect of which the taxpayer made the election referred to in the first paragraph of section 333.1, the amount by which the

amount deducted under that section exceeds the aggregate of Canadian exploration expenses, Canadian development expenses and Canadian oil and gas property expenses that the taxpayer incurred in the taxpayer's 10 taxation years that follow the year and that the taxpayer either designated before 20 December 2006 in accordance with this section, or designates after 19 December 2006 in accordance with subparagraph ii of paragraph *b* of section 59.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), except that, for the purposes of this paragraph, the expenses so designated after 19 December 2006 are to be adjusted, if applicable, in a manner that is satisfactory to the Minister to take into account the difference between the amount allowed as a deduction in computing the taxpayer's income for the year for the purposes of that Act under paragraph *a* of section 59.1 of that Act and the amount deducted under section 333.1.

Despite sections 1010 to 1011, the Minister shall make a reassessment to redetermine the tax, interest and penalties to be paid by the taxpayer under this Part as is required in respect of any taxation year to give effect to the inclusion referred to in the first paragraph.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subparagraph ii of paragraph *b* of section 59.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

**“333.3.** Canadian exploration expenses, Canadian development expenses and Canadian oil and gas property expenses incurred by a taxpayer in a taxation year and referred to in the first paragraph of section 333.2 are deemed not to be such expenses, except for the purposes of sections 386, 387, 391, 392 and 392.1 and for the purpose of computing the taxpayer's earned depletion base within the meaning of the regulations made under section 360.”

(2) Subsection 1 has effect from 20 December 2006.

**117.** (1) The Act is amended by inserting the following after section 333.3:

## “CHAPTER VII

### “RESTRICTIVE COVENANTS

**“333.4.** In this chapter,

“eligible corporation”, of a taxpayer, means a taxable Canadian corporation of which,

(a) the taxpayer holds, directly or indirectly, shares of the capital stock; and

(b) individuals with whom the taxpayer does not deal at arm's length, determined without reference to paragraph *b* of section 20, hold in total, directly or indirectly, less than 10% of the issued and outstanding share capital which holdings have a total fair market value of less than 10% of the fair market value of all of the issued and outstanding shares of the capital stock of that taxable Canadian corporation;

“eligible interest”, of a taxpayer, means capital property of the taxpayer that is

(a) a partnership interest in a partnership that carries on a business;

(b) a share of the capital stock of a corporation that carries on a business;  
or

(c) a share of the capital stock of a corporation 90% or more of the fair market value of which is attributable to eligible interests in another corporation;

“goodwill amount”, of a taxpayer, means an amount received or receivable by the taxpayer as consideration for the disposition by the taxpayer of goodwill, and that is required to be included in the aggregate determined under subparagraph *b* of the second paragraph of section 107 in respect of a business carried on by the taxpayer through an establishment located in Canada;

“restrictive covenant”, of a taxpayer, means an agreement entered into, an undertaking made, or a waiver of an advantage or right by the taxpayer, other than an agreement or undertaking for the disposition of the taxpayer's property or—unless the obligation being satisfied is in respect of a right to property or services that the taxpayer acquired for less than its fair market value—for the satisfaction of an obligation described in section 298.1 that is not a disposition, whether legally enforceable or not, that affects, or is intended to affect, in any way whatever, the acquisition or provision of property or services by the taxpayer or by another taxpayer that does not deal at arm's length with the taxpayer;

“taxpayer” includes a partnership.

**333.5.** A taxpayer shall include, in computing the taxpayer's income for a taxation year, the aggregate of all amounts each of which is an amount in respect of a restrictive covenant of the taxpayer that is received or receivable in the year by the taxpayer or by a taxpayer with whom the taxpayer does not deal at arm's length, other than an amount that has been included in computing the taxpayer's income under this section for a preceding taxation year or the taxpayer's eligible corporation's income under this section for the year or a preceding taxation year.

If the first paragraph applies to include, in computing a taxpayer's income, an amount received or receivable by another taxpayer, the amount must not be included in computing the other taxpayer's income.

**“333.6.** Section 333.5 does not apply to an amount received or receivable by a particular taxpayer in a taxation year in respect of a restrictive covenant granted by the particular taxpayer to another taxpayer (in this section and section 333.7 referred to as the “purchaser”) with whom the particular taxpayer deals at arm’s length, determined without reference to paragraph *b* of section 20, if

(a) the amount has been included in computing the particular taxpayer’s income for the year under sections 32 to 47.17 or would have been so included in computing the particular taxpayer’s income if the amount had been received in the year;

(b) the amount would, but for this chapter, be required to be included in the aggregate determined under subparagraph *b* of the second paragraph of section 107 in respect of a business to which the restrictive covenant relates, and the particular taxpayer elects or, if the amount is payable by the purchaser in respect of a business carried on in Canada by the purchaser, the particular taxpayer and the purchaser jointly elect, in the prescribed form to have this paragraph apply in respect of the amount; or

(c) subject to section 333.12, the amount directly relates to the particular taxpayer’s disposition of property that is, at the time of the disposition, an eligible interest in the partnership or corporation that carries on the business to which the restrictive covenant relates, or that is at that time an eligible interest under paragraph *c* of the definition of “eligible interest” in section 333.4 if the other corporation referred to in that paragraph carries on the business to which the restrictive covenant relates, and

- i. the disposition is to the purchaser or to a person related to the purchaser,
- ii. the amount is consideration for an undertaking by the particular taxpayer not to provide, directly or indirectly, property or services in competition with the property or services provided or to be provided by the purchaser or by a person related to the purchaser,
- iii. the restrictive covenant may reasonably be considered to have been granted to maintain or preserve the value of the eligible interest disposed of to the purchaser,
- iv. if the restrictive covenant is granted after 17 July 2005, section 506 does not apply to the disposition,
- v. neither sections 518 to 533 nor the second paragraph of section 614 applies to the disposition of the eligible interest by the particular taxpayer,
- vi. the amount is added to the particular taxpayer’s proceeds of disposition, within the meaning assigned by section 251, for the purpose of applying this Part to the disposition of the particular taxpayer’s eligible interest, and

vii. the particular taxpayer and the purchaser elect in the prescribed form to have this paragraph apply in respect of the amount.

**“333.7.** An amount paid or payable by a purchaser for a restrictive covenant is

(a) if the amount is required because of sections 32 to 47.17 to be included in computing the income of an employee of the purchaser, to be considered to be wages paid or payable by the purchaser to the employee;

(b) if an election has been made under paragraph *b* of section 333.6 in respect of the amount, to be considered to be incurred by the purchaser on account of capital for the purposes of section 106 and not to be an amount paid or payable for the purposes of the other provisions of this Part; and

(c) if an election has been made under paragraph *c* of section 333.6, in respect of the amount and the amount relates to the purchaser’s acquisition of property that is, immediately after the acquisition, an eligible interest of the purchaser, to be included in computing the cost to the purchaser of that eligible interest and considered not to be an amount paid or payable for the purposes of the other provisions of this Part.

**“333.8.** Section 421 does not apply to deem consideration to be an amount received or receivable by an individual for a restrictive covenant granted by the individual if

(a) the restrictive covenant is granted by the individual to another taxpayer (in this section referred to as the “purchaser”) with whom the individual deals at arm’s length;

(b) the restrictive covenant directly relates to the acquisition from one or more other persons (in this section and section 333.10 referred to as the “vendors”) by the purchaser of an interest in the individual’s employer, in a corporation related to that employer or in a business carried on by that employer;

(c) the individual deals at arm’s length with the employer and with the vendors;

(d) the restrictive covenant is an undertaking by the individual not to provide, directly or indirectly, property or services in competition with property or services provided or to be provided by the purchaser or by a person related to the purchaser in the course of carrying on the business to which the restrictive covenant relates;

(e) no proceeds are received or receivable by the individual for granting the restrictive covenant; and



(f) the amount that can reasonably be regarded as being the consideration for the restrictive covenant is received or receivable only by the vendors.

**“333.9.** Subject to section 333.13, section 421 does not apply to deem consideration to be an amount received or receivable by a taxpayer (in this section referred to as the “vendor”) for a restrictive covenant granted by the taxpayer if

(a) the restrictive covenant is granted by the vendor to another taxpayer (in this section referred to as the “purchaser”) with whom the vendor deals at arm’s length;

(b) the restrictive covenant is an undertaking of the vendor not to provide, directly or indirectly, property or services in competition with the property or services provided or to be provided by the purchaser or by a person related to the purchaser in the course of carrying on the business to which the restrictive covenant relates;

(c) no proceeds are received or receivable by the vendor for granting the restrictive covenant;

(d) the amount that can reasonably be regarded as being the consideration for the restrictive covenant is

i. included by the vendor in computing a goodwill amount of the vendor, or

ii. received or receivable by a corporation that was an eligible corporation of the vendor when the restrictive covenant was granted and included by the eligible corporation in computing a goodwill amount of the eligible corporation in respect of the business to which the restrictive covenant relates;

(e) the restrictive covenant can reasonably be regarded to have been granted to maintain or preserve the value of goodwill acquired by the purchaser from the vendor or from the vendor’s eligible corporation;

(f) neither sections 518 to 533 nor the second paragraph of section 614 applies to the disposition of the goodwill by the vendor or the vendor’s eligible corporation;

(g) no portion of the amount of consideration that can reasonably be regarded as being in part the consideration for the restrictive covenant is received or receivable, directly or indirectly in any manner whatever, by an individual (in this section and section 333.11 referred to as the “non arm’s length individual”) with whom the vendor does not deal at arm’s length or by another taxpayer in which the non arm’s length individual holds, directly or indirectly, an interest; and

(h) the vendor and the purchaser or, if subparagraph ii of paragraph *d* applies, the vendor, the eligible corporation and the purchaser, jointly so elect in the prescribed form.

**“333.10.** Subject to section 333.13, section 421 does not apply to deem consideration to be an amount received or receivable by a taxpayer (in this section referred to as the “vendor”) for a restrictive covenant granted by the taxpayer if

(a) the restrictive covenant is granted by the vendor to another taxpayer (in this section and section 333.11 referred to as the “purchaser”) with whom the vendor deals at arm’s length, determined without reference to paragraph *b* of section 20;

(b) the restrictive covenant is an undertaking of the vendor not to provide, directly or indirectly, property or services in competition with the property or services provided or to be provided by the purchaser or by a person related to the purchaser in the course of carrying on the business to which the restrictive covenant relates;

(c) it is reasonable to conclude that the restrictive covenant is an integral part of an agreement in writing

i. under which the vendor disposes of a property, other than a property to which subparagraph ii applies, to the purchaser for consideration that is received or receivable by the vendor, or

ii. under which shares of the capital stock of a corporation (in this section and section 333.11 referred to as the “target corporation”) are disposed of to the purchaser;

(d) if subparagraph i of paragraph *c* applies, the consideration that can reasonably be regarded as being in part the consideration for the restrictive covenant is received or receivable by the vendor as consideration for the disposition of the property;

(e) if subparagraph ii of paragraph *c* applies, no portion of the amount of consideration that can reasonably be regarded as being in part the consideration for the restrictive covenant is received or receivable, directly or indirectly, in any manner whatever, by an individual (in this section and section 333.11 referred to as the “non arm’s length individual”) with whom the vendor does not deal at arm’s length or by another taxpayer in which the non arm’s length individual holds, directly or indirectly, an interest;

(f) section 506 does not apply to the disposition;

(g) neither sections 518 to 533 nor the second paragraph of section 614 applies to the disposition; and

(h) the restrictive covenant can reasonably be regarded to have been granted to maintain or preserve the fair market value of the vendor's property disposed of to the purchaser or of the shares of the target corporation disposed of to the purchaser.

**333.11.** If section 333.9 or 333.10 does not apply to a taxpayer's grant of a restrictive covenant solely because the condition in paragraph *g* of section 333.9 or in paragraph *e* of section 333.10 has not been satisfied, the following rules apply:

(a) to the extent that the consideration that can reasonably be regarded as being in part the consideration for the restrictive covenant granted by the taxpayer is received or receivable by one or more non arm's length individuals and taxpayers in which one or more non arm's length individuals hold, directly or indirectly, an interest (in this section referred to as the "allocable portion"), section 421 applies only to that allocable portion;

(b) a joint election may be filed in the prescribed form by the taxpayer and each of the non arm's length individuals and other taxpayers referred to in paragraph *a* to deem the portion of the allocable portion that would otherwise be considered by section 421 to be received or receivable in a taxation year by the taxpayer for granting the restrictive covenant to be received or receivable in the taxation year by the taxpayer as a goodwill amount, if the condition in paragraph *g* of section 333.9 has not been satisfied, or as proceeds of disposition from the disposition of capital property, if the condition in paragraph *e* of section 333.10 has not been satisfied;

(c) if paragraph *b* applies to deem consideration to be received or receivable in a taxation year by the taxpayer, except for the purposes of this section, that consideration is considered not to be received or receivable by each of the non arm's length individuals and other taxpayers who make the joint election with the taxpayer;

(d) if paragraph *b* applies to deem consideration to be received or receivable in a taxation year by the taxpayer and the consideration is actually received or receivable by another taxpayer referred to in that paragraph that is a corporation, partnership or trust, that consideration is deemed to have been received by the corporation, partnership or trust, as the case may be, as a mandatary of the taxpayer if it is transferred to the taxpayer within 180 days from the date of receipt; and

(e) the expense incurred by the purchaser for the goodwill amount referred to in section 333.9 or the cost of the shares of the target corporation referred to in section 333.10 does not differ from the amount that those amounts would have been if section 333.9 or 333.10 had applied to all of the consideration paid or payable by the purchaser to the non arm's length individuals and other taxpayers referred to in paragraph *b* for the goodwill amount or capital stock of the target corporation.

**“333.12.** Paragraph *c* of section 333.6 does not apply to an amount that would, but for sections 333.5 to 333.16, be included in computing a taxpayer’s income from a source that is an office or employment or a business or property under paragraph *a* of section 28.

**“333.13.** Sections 333.9 to 333.11 do not apply in respect of a taxpayer’s grant of a restrictive covenant if one of the results of not applying section 421 to the consideration received or receivable in respect of the restrictive covenant would be that paragraph *a* of section 28 would not apply to consideration that would, but for sections 333.5 to 333.16, be included in computing a taxpayer’s income from a source that is an office or employment or a business or property.

**“333.14.** If any of sections 333.8 to 333.10 applies in respect of a restrictive covenant granted by a taxpayer,

(*a*) the amount referred to in paragraph *f* of section 333.8 is to be added in computing the amount received or receivable by the vendors as consideration for the disposition of the interest referred to in paragraph *b* of section 333.8;

(*b*) the amount that could reasonably be regarded as consideration referred to in subparagraph *i* or *ii* of paragraph *d* of section 333.9 is to be added in computing

*i.* the amount that is to be included in computing the aggregate determined under subparagraph *b* of the second paragraph of section 107 in respect of a business carried on by the vendor through an establishment located in Canada, or

*ii.* the amount that is to be included in computing the aggregate determined under subparagraph *b* of the second paragraph of section 107 in respect of a business carried on by the eligible corporation through an establishment located in Canada; and

(*c*) the amount that can reasonably be regarded as being in part the consideration for a restrictive covenant received or receivable to which section 333.10 applies is to be added in computing the consideration,

*i.* if subparagraph *i* of paragraph *c* of section 333.10 applies, that is received or receivable by the vendor from the disposition of the property, and

*ii.* if subparagraph *ii* of paragraph *c* of section 333.10 applies, that is received or receivable by each taxpayer who disposes of shares of the target corporation to the extent that consideration is received or receivable by each such taxpayer.

**“333.15.** For the purposes of paragraphs *b* and *c* of section 333.6, paragraph *h* of section 333.9 and paragraph *b* of section 333.11, an election made in the prescribed form must include a copy of the restrictive covenant and be filed with the Minister,

(a) if the person who granted the restrictive covenant is a person resident in Canada when the restrictive covenant was granted, by the person on or before the person's filing-due date for the taxation year that includes the day on which the restrictive covenant was granted; and

(b) in any other case, on or before the day that is six months after the day on which the restrictive covenant was granted.

**“333.16.** Section 270 does not apply to an amount received or receivable as consideration for a restrictive covenant.”

(2) Subsection 1 applies

(1) to an amount received or receivable by a taxpayer after 7 October 2003, other than an amount received before 1 January 2005 under a grant of a restrictive covenant made in writing before 8 October 2003 between the taxpayer and a purchaser with whom the taxpayer deals at arm's length; and

(2) to an amount paid or payable by a purchaser after 7 October 2003, other than an amount paid or payable by the purchaser before 1 January 2005 under a grant of a restrictive covenant made in writing before 8 October 2003 between the purchaser and a taxpayer with whom the purchaser deals at arm's length.

(3) However, when Chapter VII of Title V of Book III of Part I of the Act applies in respect of a restrictive covenant granted by a taxpayer before 9 November 2006,

(1) the definition of “restrictive covenant” in section 333.4 of the Act is to be read without reference to “—unless the obligation being satisfied is in respect of a right to property or services that the taxpayer acquired for less than its fair market value—”;

(2) if the taxpayer files an election in writing with the Minister of Revenue no later than 180 days after 15 May 2009, paragraph *c* of section 333.6 of the Act is to be read in respect of the restrictive covenant

(a) as if “subject to section 333.12,” in the portion before its subparagraph *i* was struck out;

(b) as if its subparagraph *iii* was replaced by the following subparagraph:

“*iii.* the amount does not exceed the amount by which the amount that would be the fair market value of the particular taxpayer's eligible interest that is disposed of if all restrictive covenants that may reasonably be considered to relate to a disposition of an interest in the business by a taxpayer were provided for no consideration, exceeds the amount that would be the fair market value of the particular taxpayer's eligible interest that is disposed of if no covenant were granted by any taxpayer that held an interest in the business,”; and

- (c) without reference to its subparagraph v;
- (3) section 333.9 of the Act is to be read without reference to its paragraphs *f* and *g*;
- (4) sections 333.12 and 333.13 of the Act are not to be taken into account; and
- (5) an election referred to in section 333.15 of the Act is deemed to be filed with the Minister of Revenue within the prescribed time if it is filed on or before the day that is 180 days after 15 May 2009.

**118.** (1) Section 336 of the Act is amended

- (1) by replacing “*e* to *e.4*” in paragraph *d* by “*e* to *e.5*”;
- (2) by inserting the following paragraph after paragraph *d.2*:

“(d.2.1) the aggregate of all amounts each of which is an amount paid by the taxpayer in the year as a consequence of the application of section 1129.66.3 in relation to an amount that was included in computing the taxpayer’s income because of section 904 for the year or for a preceding taxation year;”;
- (3) by adding the following paragraph after paragraph *k*:

“(l) the debts owing to a taxpayer that the taxpayer establishes to have become bad debts in the year in respect of an amount included in computing the taxpayer’s income for a preceding taxation year because of the application of section 35.1 or 333.5.”
- (2) Paragraph 1 of subsection 1 applies from the taxation year 2003.
- (3) Paragraph 2 of subsection 1 has effect from 21 February 2007.
- (4) Paragraph 3 of subsection 1 has effect from 8 October 2003.

**119.** (1) Section 336.1 of the Act is amended

- (1) by replacing “this section and section 313.0.1 apply” in the first paragraph by “subsection 2 of each of sections 56.1 and 60.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) apply”;
- (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”;

(3) by striking out the third paragraph.

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of an order issued by a competent tribunal after 19 December 2006 or of a written agreement entered into after that date.

**120.** (1) Section 336.5 of the Act is amended

(1) by replacing “in subsection 1 of section 668” in paragraph *d* of the definition of “additional investment expense” by “in section 668”;

(2) by replacing “in subsection 1 of section 668” in the portion of subparagraph *vi* of subparagraph *e* of the first paragraph of section 726.6 of the Act before subparagraph 1, enacted by paragraph *c* of the definition of “investment income” in section 336.5, by “in section 668”;

(3) by replacing “in subsection 1 of section 668” in subparagraph 3 of subparagraph *vi* of subparagraph *e* of the first paragraph of section 726.6 of the Act, enacted by paragraph *c* of the definition of “investment income” in section 336.5, by “in section 668”.

(2) Subsection 1 has effect from 28 February 2004.

**121.** (1) The Act is amended by inserting the following after section 336.7:

#### “CHAPTER II.1

#### “SPLITTING RETIREMENT INCOME

“**336.8.** In this chapter,

“eligible retirement income” of an individual for a taxation year means

(*a*) if the individual has reached 65 years of age before the end of the year or—if the individual ceased to be resident in Canada in the year—on the last day on which the individual was resident in Canada, the aggregate of all amounts each of which is an amount that the individual included in computing the individual’s income for the year and that is described in section 752.0.8; or

(*b*) if the individual has not reached 65 years of age before the end of the year or—if the individual ceased to be resident in Canada in the year—on the last day on which the individual was resident in Canada, the aggregate of all amounts each of which is an amount that the individual included in computing the individual’s income for the year and that is described in subparagraph *i* of paragraph *a* of section 752.0.8 or—if that amount is received by the individual because of the death of a spouse of the individual—in any of subparagraphs *ii* to *vi* of that paragraph *a* or in paragraph *b* of that section;

“eligible spouse” of an individual for a taxation year means the person who is the individual’s eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

“joint election” for a taxation year means an election made jointly for the year in the prescribed form by a transferor and the transferee who is the transferor’s eligible spouse for the year, and filed with the Minister with both the transferor’s and the transferee’s fiscal returns for the year on or before their respective filing-due dates for the year;

“split-retirement income amount” in respect of a transferor and a transferee for a taxation year means the amount elected by the transferor and the transferee in a joint election for the year not exceeding 50% of the transferor’s eligible retirement income for the year;

“transferee” for a taxation year means an individual who

- (a) is resident in Canada at the end of the year; and
- (b) is a transferor’s eligible spouse for the year;

“transferor” for a taxation year means an individual who

- (a) receives eligible retirement income for the year; and
- (b) is resident in Canada at the end of the year.

For the purposes of section 336.9 and the definitions of “transferee” and “transferor” in the first paragraph, the taxation year of an individual that is the year in which the individual dies or ceases to be resident in Canada is deemed to end immediately before the individual’s death or at the end of the last day on which the individual was resident in Canada.

**“336.9.** For the purpose of applying this chapter, for a taxation year, to a transferor and to the transferee who is the transferor’s eligible spouse for the year, if either of them is resident in Canada outside Québec at the end of that year, section 336.8 is to be read

(a) as if the definitions of “joint election” and “split-retirement income amount” in the first paragraph were replaced by the following definitions:

““joint election” for a taxation year means a valid election made jointly for the year by a transferor and the transferee who is the transferor’s eligible spouse for the year, for the purposes of section 60.03 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with the definition of “joint election” in subsection 1 of that section;



““split-retirement income amount” in respect of a transferor and a transferee for a taxation year means the amount elected by the transferor and the transferee in a joint election for the year not exceeding the amount determined by the formula

$0.5A \times B/C$ ”; and

(b) as if the following paragraph was added after the second paragraph:

“In the definition of “split-retirement income amount” in the first paragraph,

(a) A is the transferor’s eligible retirement income for the taxation year;

(b) B is the number of months in the transferor’s taxation year during which the transferor was the transferee’s spouse; and

(c) C is the number of months in the transferor’s taxation year.”

The individual who is resident in Québec at the end of the year shall send a copy of the joint election with the fiscal return the individual is required to file for the year under this Part.

If, for a taxation year, a transferor makes an election described in the definition of “joint election” in subsection 1 of section 60.03 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) with an individual other than the transferor’s eligible spouse for the year and either of them is resident in Canada outside Québec at the end of that year, that other individual is, for the purposes of the first paragraph and of section 336.8, deemed to be the transferor’s eligible spouse for the year.

This chapter does not apply, for a taxation year, to the eligible spouse of a transferor, if both of them are resident in Québec at the end of the year, and if the presumption in the third paragraph applies to another individual with whom the transferor made the election referred to in that paragraph for the year.

For the purposes of this Part, an election described in the definition of “joint election” in the first paragraph of section 336.8, enacted by the first paragraph, is deemed to be made under this chapter.

**“336.10.** For the purposes of section 336.8, a person is deemed not to be the eligible spouse of an individual for a taxation year if the person is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Act respecting the Ministère du Revenu (chapter M-31).

**“336.11.** A taxpayer who is a transferor for a taxation year may deduct, in computing the taxpayer’s income for that year, any amount that is a split-retirement income amount for the year in respect of the taxpayer.

However, a taxpayer who dies in a taxation year may deduct an amount under the first paragraph in computing the taxpayer's income for the year only in the taxpayer's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the taxpayer's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

**“336.12.** For the purposes of subparagraph ii of paragraphs *a* and *b* of section 752.0.7.4, the following rules apply if a transferor and a transferee make a joint election for a taxation year:

(*a*) the amount referred to in section 752.0.8 in respect of the transferor for the year is deemed to be equal to the result obtained by subtracting from that amount otherwise determined any amount that is a split-retirement income amount in respect of the transferor for the year; and

(*b*) the amount referred to in section 752.0.8 in respect of the transferee for the year is deemed to be equal to the result obtained by adding to that amount otherwise determined any amount that is a split-retirement income amount in respect of the transferee for the year.

**“336.13.** A joint election is invalid if the Minister establishes that a transferor or a transferee has knowingly or under circumstances amounting to gross negligence made a false declaration in the joint election.

However, the first paragraph does not apply in respect of an election described in the definition of “joint election” in the first paragraph of section 336.8, enacted by the first paragraph of section 336.9.”

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

**122.** (1) Section 339 of the Act is amended by replacing paragraph *i.1* by the following paragraph:

“(i.1) the amount by which the amount equal to the product obtained by multiplying the amount payable by the taxpayer for the year as a premium on the taxpayer's business income under the Act respecting parental insurance (chapter A-29.011) by the proportion that the premium rate referred to in subparagraph 1 of the first paragraph of section 6 of that Act is of the premium rate referred to in subparagraph 3 of that paragraph, is exceeded by the amount payable by the taxpayer for the year as a premium on the taxpayer's business income under that Act, other than an amount, in respect of that amount payable by the taxpayer for the year, in relation to a business of the taxpayer, as that premium, if all of the taxpayer's income from that business is not required to be included in computing the taxpayer's income for the year or is deductible in computing the taxpayer's taxable income for the year under any of sections 725, 737.16, 737.18.10, 737.18.34 and 737.22.0.10; and”.

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

**123.** Section 348 of the Act is amended by replacing subparagraph ii of paragraph *c* in the French text by the following subparagraph:

“ii. lorsque la réinstallation admissible survient afin de lui permettre de fréquenter, à titre d’élève à plein temps inscrit à un programme de niveau postsecondaire, un établissement d’une université, d’un collège ou d’une autre institution, l’ensemble des montants qui sont inclus dans le calcul de son revenu pour l’année en vertu du paragraphe *h* de l’article 312;”.

**124.** Section 349 of the Act is amended by replacing subparagraph *a* of the first paragraph of section 349.1 of the Act, enacted by that section 349, in the French text by the following paragraph:

“«*a*) la réinstallation survient afin de lui permettre de fréquenter, à titre d’élève à plein temps inscrit à un programme de niveau postsecondaire, un établissement d’une université, d’un collège ou d’une autre institution, cet établissement étant appelé « nouveau lieu de travail » dans le présent chapitre;»”.

**125.** Section 349.1 of the Act is amended by replacing subparagraph *a* of the first paragraph in the French text by the following subparagraph:

“*a*) la réinstallation survient afin de lui permettre soit d’exploiter une entreprise ou d’occuper un emploi dans un endroit au Canada, soit de fréquenter, à titre d’élève à plein temps inscrit à un programme de niveau postsecondaire, un établissement d’une université, d’un collège ou d’une autre institution, cet endroit et cet établissement étant appelés « nouveau lieu de travail » dans le présent chapitre;”.

**126.** Section 350 of the Act is amended

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

“*a*) travel costs, including a reasonable amount for meals and lodging, in the course of moving the individual and other members of the individual’s household;”;

(2) by replacing “members of the individual’s household” in paragraph *c* by “other members of the individual’s household”.

**127.** (1) Section 358.0.1 of the Act is amended by replacing “*e.2* to *e.4*” in subparagraph iii of subparagraph *b* of the first paragraph by “*e.2* to *e.5*”.

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

**128.** (1) The Act is amended by inserting the following section after section 359.8:

**“359.8.1.** A corporation that issues a flow-through share to a person under an agreement and incurs, under the agreement and in a particular calendar year, expenses (in this section referred to as “Québec exploration expenses”) that relate to a renunciation in respect of which an amount would be included in the aggregate described in subparagraph *a* of the second paragraph of section 1129.60 for the purpose of computing the tax that it would be required, but for this section, to pay for a month included in the preceding calendar year under section 1129.60, is, for the purposes of either section 359.2 or section 359.2.1 and paragraph *b* of section 359.2.2, deemed to have incurred the expenses on the last day of the calendar year that precedes the preceding calendar year, if

(a) section 359.8 applied in respect of the Québec exploration expenses that the corporation incurred under the agreement in the preceding calendar year and that relate to the renunciation;

(b) the agreement stipulates that the Québec exploration expenses were to be incurred in the preceding calendar year; and

(c) the Minister is of the opinion that the Québec exploration expenses that were to be incurred under the agreement in the preceding calendar year could not be incurred because of circumstances beyond the corporation’s control.”

(2) Subsection 1 applies in respect of expenses incurred after 31 December 2006 in accordance with a flow-through share agreement entered into after 31 December 2004.

**129.** (1) Section 359.15 of the Act is amended, in the first paragraph,

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

“ii. the excess arose as a consequence of a renunciation purported to be made in a calendar year under section 359.2 or 359.2.1 because of the application of section 359.8, if the corporation knew or ought to have known of all or part of the excess,

(1) if section 359.8.1 applies in respect of expenses that were incurred in the calendar year that follows that in which the purported renunciation was made and that relate to the renunciation, at the end of that subsequent calendar year, and

(2) in any other case, at the end of the calendar year;”;

(2) by replacing subparagraph *c* by the following subparagraph:

“(c) if subparagraph ii of subparagraph *a* applies, the statement must be filed,

i. if section 359.8.1 applies in respect of expenses that were incurred in the calendar year that follows that in which the purported renunciation was made and that relate to the renunciation, before 1 March of the year that follows that subsequent calendar year, and

ii. in any other case, before 1 March of the calendar year that follows that in which the purported renunciation was made by the corporation; and”.

(2) Subsection 1 applies in respect of a renunciation purported to be made after 31 December 2005.

**130.** (1) Section 359.18 of the Act is amended by replacing “section 1129.60” by “section 1129.60 or 1129.60.1”.

(2) Subsection 1 applies in respect of a fiscal period that ends after 31 December 2005.

**131.** (1) Section 412 of the Act is amended by replacing “paragraph *a* of section 418.26” in subparagraph 1 of subparagraph iii of paragraph *g* by “subparagraph *a* of the first paragraph of section 418.26”.

(2) Subsection 1 has effect from 20 December 2006.

**132.** (1) Section 418.17 of the Act is amended

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

(2) by replacing “réfère en dernier lieu le premier alinéa” in the portion of the third paragraph before subparagraph *a* in the French text by “le premier alinéa fait référence en dernier lieu”;

(3) by replacing “paragraph *f* of section 418.26” in subparagraph 2 of subparagraph ii of subparagraph *a* of the third paragraph by “subparagraph *f* of the first paragraph of section 418.26”;

(4) by replacing “réfère” in the fourth paragraph in the French text by “fait référence”.

(2) Paragraph 3 of subsection 1 has effect from 20 December 2006.

**133.** (1) Section 418.17.3 of the Act is amended

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

(2) by replacing “*réfère en dernier lieu le premier alinéa*” in the portion of the third paragraph before subparagraph *a* in the French text by “*le premier alinéa fait référence en dernier lieu*”;

(3) by replacing “*paragraph a of section 418.26*” in subparagraph ii of subparagraph *a* of the third paragraph by “*subparagraph a of the first paragraph of section 418.26*”;

(4) by replacing “*paragraph f of section 418.26*” in subparagraph ii of subparagraph *b* of the third paragraph by “*subparagraph f of the first paragraph of section 418.26*”;

(5) by replacing “*réfère*” in subparagraph *f* of the sixth paragraph in the French text by “*fait référence*”.

(2) Paragraphs 3 and 4 of subsection 1 have effect from 20 December 2006.

**134.** (1) Section 418.19 of the Act is amended

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

(2) by replacing “*réfère en second lieu le premier alinéa*” in the portion of the third paragraph before subparagraph *a* in the French text by “*le premier alinéa fait référence en second lieu*”;

(3) by replacing “*paragraph a of section 418.26*” in subparagraph ii of subparagraph *a* of the third paragraph by “*subparagraph a of the first paragraph of section 418.26*”;

(4) by replacing “*réfère*” in subparagraph i of subparagraph *b* of the third paragraph in the French text by “*fait référence*”.

(2) Paragraph 3 of subsection 1 has effect from 20 December 2006.

**135.** (1) Section 418.21 of the Act is amended

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

(2) by replacing “*réfère en dernier lieu le premier alinéa*” in the portion of the third paragraph before subparagraph *a* in the French text by “*le premier alinéa fait référence en dernier lieu*”;

(3) by replacing “*paragraph a of section 418.26*” in subparagraph ii of subparagraph *a* of the third paragraph by “*subparagraph a of the first paragraph of section 418.26*”;

(4) by replacing “*réfère*” in subparagraph *i* of subparagraph *b* of the third paragraph in the French text by “*fait référence*”.

(2) Paragraph 3 of subsection 1 has effect from 20 December 2006.

**136.** (1) Section 418.26 of the Act is amended

(1) by replacing paragraphs *e* to *g* by the following paragraphs:

“(e) where the corporation (in this subparagraph and the second paragraph referred to as the “*transferee*”) was, immediately before and at that time, a particular person, within the meaning of subsection 5 of section 544, or a subsidiary wholly-owned corporation, within the meaning of that subsection, of another corporation (in this subparagraph and the second paragraph and in section 418.28 referred to as the “*transferor*”), the amount corresponding, subject to the second paragraph, to the total of the amount that the transferor designates after 19 December 2006 in accordance with paragraph *g* of subsection 10 of section 66.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in favour of the transferee for a taxation year of the transferor ending after that time and throughout which the transferee was such a particular person or such a subsidiary wholly-owned corporation of the transferor, and—if the total of the amounts designated by the transferor in accordance with that paragraph *g* in favour of any taxpayer for that year corresponds to the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *g* in favour of any taxpayer for that year—of the portion on which the transferor and transferee agree and that the transferor specifies in its fiscal return under this Part for that year in respect of the transferee and not in respect of another taxpayer, of the amount by which the particular amount described in section 418.28 exceeds the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *g* in favour of any taxpayer for that year,

i. applies for the purpose of making a deduction under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), or this division in respect of resource expenses incurred by the transferee before that time while the transferee was such a particular person or such a subsidiary wholly-owned corporation of the transferor, and

ii. is deemed, for the purpose of computing an amount under the third paragraph of any of sections 418.16, 418.18 and 418.19, subparagraph *c* of the first paragraph of section 418.20, as that subparagraph would read if “to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or the amount by which” was replaced by “to the amount by which”, the third paragraph of section 418.21 and section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules, to be income of the transferee from the sources

described in paragraph *a* or *b* of section 418.28 for its taxation year in which that taxation year of the transferor ends, and not to be income of the transferor from those sources for that year;

“(f) where the corporation (in this subparagraph and the second paragraph referred to as the “transferee”) was, immediately before and at that time, a particular person, within the meaning of subsection 5 of section 544, or a subsidiary wholly-owned corporation, within the meaning of that subsection, of another corporation (in this subparagraph and the second paragraph and in section 418.29 referred to as the “transferor”), the amount corresponding, subject to the second paragraph, to the total of the amount that the transferor designates after 19 December 2006 in accordance with paragraph *h* of subsection 10 of section 66.7 of the Income Tax Act in favour of the transferee for a taxation year of the transferor ending after that time and throughout which the transferee was such a particular person or such a subsidiary wholly-owned corporation of the transferor, and—if the total of the amounts designated by the transferor in accordance with that paragraph *h* in favour of any taxpayer for that year corresponds to the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *h* in favour of any taxpayer for that year—of the portion on which the transferor and transferee agree and that the transferor specifies in its fiscal return under this Part for that year in respect of the transferee and not in respect of another taxpayer, of the amount by which the particular amount described in section 418.29 exceeds the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *h* in favour of any taxpayer for that year, is deemed,

i. for the purpose of computing an amount under the third paragraph of section 418.17 or 418.17.3 or subparagraph *c* of the first paragraph of section 418.20, as that subparagraph would read if “to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or the amount by which” was replaced by “to the amount by which”, to be income of the transferee from the sources described in paragraph *a* or *b* of section 418.29 for its taxation year in which that taxation year of the transferor ends, and

ii. for the purpose of computing an amount under the third paragraph of section 418.17 or 418.17.3 or subparagraph *c* of the first paragraph of section 418.20, as that subparagraph would read if “to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or the amount by which” was replaced by “to the amount by which”, not to be the income of the transferor from those sources for that year;

“(g) where, immediately before and at that time, the corporation (in this subparagraph referred to as the “transferee”) and another corporation (in this subparagraph referred to as the “transferor”) were both subsidiary wholly-owned corporations, within the meaning of subsection 5 of section 544, of the same particular person, within the meaning of that subsection, and if the transferee and the transferor agree after 19 December 2006 in accordance with paragraph *i* of subsection 10 of section 66.7 of the Income



Tax Act to have that paragraph *i* apply to them for a taxation year of the transferor ending after that time, subparagraph *e* or *f* or both, as the agreement provides, apply for that year to the transferee and to the transferor as though one were, in relation to the other, the particular person, within the meaning of subsection 5 of section 544; and”;

(2) by replacing “for the purposes of paragraph *a*” in the portion of paragraph *h* before subparagraph *i* by “for the purposes of subparagraph *a*”;

(3) by replacing “réfère” in the portion of paragraph *h* before subparagraph *i* in the French text by “fait référence”;

(4) by replacing “in this paragraph” in subparagraph *ii* of paragraph *h* by “in this subparagraph *h*”;

(5) by adding the following paragraphs:

“However, when the aggregate of the amounts determined for a taxation year of the transferor under subparagraph *e* or *f* of the first paragraph in relation to the transferee would, but for this paragraph, exceed the particular amount described in section 418.28 or 418.29, the amount otherwise determined for the year under that subparagraph in respect of the transferee or another taxpayer must be reduced, if applicable, to the amount specified by the transferor in its fiscal return under this Part for the year or, if the transferor fails to specify such an amount, to the amount specified by the Minister, so that the aggregate is equal to the particular amount.

“Chapter V.2 of Title II of Book I applies in relation to a designation or agreement made under any of paragraphs *g*, *h* and *i* of subsection 10 of section 66.7 of the Income Tax Act or in relation to a designation or agreement made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**137.** (1) Sections 418.28 to 418.30 of the Act are replaced by the following sections:

**“418.28.** The particular amount referred to in subparagraph *e* of the first paragraph and the second paragraph of section 418.26 is the amount equal to the portion of the income of the transferor for the year referred to in that subparagraph, before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 359 to 419.6, that may reasonably be regarded as attributable

(*a*) to the production from a Canadian resource property owned by the transferor immediately before the time referred to in the first paragraph of section 418.26; and

(b) to the disposition, in the year referred to in subparagraph *e* of the first paragraph of section 418.26, of a Canadian resource property owned by the transferor immediately before the time referred to in that paragraph.

**“418.29.** The particular amount referred to in subparagraph *f* of the first paragraph and the second paragraph of section 418.26 is the amount equal to the portion of the income of the transferor for the year referred to in that subparagraph, before any deduction under sections 359 to 419.6, that may reasonably be regarded as attributable

(a) to the production from a foreign resource property owned by the transferor immediately before the time referred to in the first paragraph of section 418.26; and

(b) to the disposition of a foreign resource property owned by the transferor immediately before the time referred to in the first paragraph of section 418.26.

**“418.30.** If, at any time, control of a taxpayer that is a corporation has been acquired by a person or group of persons, or a taxpayer has disposed of all or substantially all of the taxpayer’s Canadian resource properties or foreign resource properties, and, before that time, the taxpayer or a partnership of which the taxpayer was a member acquired a property that is a Canadian resource property, a foreign resource property or an interest in a partnership and it may reasonably be considered that one of the main purposes of the acquisition was to avoid any limitation provided for in any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), on the deduction in respect of any expenses incurred by the taxpayer or a corporation referred to as a “transferee” in subparagraph *e* or *f* of the first paragraph of section 418.26, the taxpayer or the partnership is, for the purpose of applying sections 418.16 to 418.21 and section 88.4 of that Act, to the extent that that section refers to subsection 25 of section 29 of those rules, to or in respect of the taxpayer, deemed not to have acquired the property.”

(2) Subsection 1 has effect from 20 December 2006.

**138.** (1) Section 421 of the Act is amended

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

**“421.** If an amount received or receivable from a person can reasonably be regarded as being in part the consideration for the disposition of a particular property of a taxpayer, for the provision of particular services by a taxpayer or for a restrictive covenant, within the meaning assigned by section 333.4, granted by a taxpayer, the following rules apply:”;

(2) by striking out “être” wherever it appears in paragraphs *a* and *b* in the French text;

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

“(c) the part of the amount that can reasonably be regarded as being the consideration for a restrictive covenant is deemed to be an amount received or receivable by the taxpayer in respect of the restrictive covenant, irrespective of the form or legal effect of the contract or agreement, and that part is deemed to be an amount paid or payable to the taxpayer by the person to whom the restrictive covenant was granted.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 27 February 2004. However, they do not apply in respect of a restrictive covenant granted in writing by a taxpayer before that date to a person with whom the taxpayer deals at arm’s length.

**139.** (1) Section 421.2 of the Act is amended, in the third paragraph,

(1) by replacing “performing arts presenter” in the definition of “subscription” by “cultural events presenter”;

(2) by replacing the definition of “performing arts presenter” by the following definition:

““cultural events presenter” means

(a) a person or an organization whose mission is to present the arts, history or science and that is responsible for programming professional performances or museum exhibits generating box office or subscription income;

(b) a person or an organization acting on behalf of a person or organization described in paragraph *a*; or

(c) a manager or lessee of a venue for cultural events;”.

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

**140.** Section 424 of the Act is replaced by the following section:

**“424.** If, at any time, a property of a corporation is appropriated in any manner whatever to or for the benefit of a shareholder of the corporation gratuitously or for consideration that is less than the property’s fair market value and a sale of the property at its fair market value would have contributed to increase the corporation’s income or to reduce a loss of the corporation, the corporation is deemed, at that time, to have disposed of the property and to have received proceeds of disposition equal to its fair market value at that time.

If, in a taxation year of a corporation, a property is appropriated in any manner whatever to or for the benefit of a shareholder upon the winding-up of the corporation, the following rules apply:

(a) the corporation is deemed, for the purpose of computing its income for the year, to have disposed of the property immediately before the winding-up for proceeds of disposition equal to its fair market value at that time;

(b) the shareholder is deemed to have acquired the property at a cost equal to its fair market value immediately before the winding-up;

(c) sections 302 and 304 do not apply in computing the cost of the property to the shareholder; and

(d) sections 93.3.1, 106.4, 175.9, 238.1 and 238.3 do not apply in respect of a property disposed of on the winding-up.”

**141.** Section 430 of the Act is amended by replacing “assigned” by “distributed”.

**142.** Section 431 of the Act is replaced by the following section:

“**431.** If a taxpayer has acquired a property that is a right or property referred to in section 430, the following rules apply:

(a) paragraph *a* of section 422 does not apply to that property; and

(b) the taxpayer is deemed to have acquired the property at a cost equal to the aggregate of

i. the portion of the cost to the deceased individual that was not deducted by the deceased individual in computing income for any taxation year, and

ii. the expenditures made or incurred by the taxpayer to acquire it.”

**143.** Section 435 of the Act is amended by replacing “assigned” in the portion before paragraph *a* by “distributed”.

**144.** Section 437 of the Act is amended by replacing “l’attribution” in the portion before paragraph *a* in the French text by “la distribution”.

**145.** Section 440 of the Act is amended, in the first paragraph,

(1) by replacing “assigned” in the portion before subparagraph *a* by “distributed”;

(2) by replacing “réputé être” in subparagraph iii of subparagraph *a.1* in the French text by “réputé”.

**146.** Section 441.1 of the Act is amended by replacing “assigned” in the first paragraph by “distributed”.

**147.** Section 441.2 of the Act is amended by replacing “assigned” in the first paragraph by “distributed”.

**148.** (1) Section 442 of the Act is amended by replacing “revoked” in the following provisions by “rescinded”:

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

(2) Subsection 1 has effect from 20 December 2006.

**149.** (1) Section 444 of the Act is amended by replacing “revoked” in the following provisions by “rescinded”:

- the portion of the sixth paragraph before subparagraph *a*;
- the eighth paragraph.

(2) Subsection 1 applies in respect of a disposition of property that occurs after 20 December 2006.

**150.** Section 445 of the Act is amended by replacing “attribués” in paragraph *b* in the French text by “distribués”.

**151.** (1) Section 450 of the Act is amended by replacing “revoked” in the following provisions by “rescinded”:

- the portion of the sixth paragraph before subparagraph *a*;
- the eighth paragraph.

(2) Subsection 1 applies in respect of a disposition of property that occurs after 20 December 2006.

**152.** (1) Section 452 of the Act is replaced by the following section:

“**452.** Subject to section 453, in computing the income of a taxpayer for the taxation year in which the taxpayer died, sections 153 and 208, subparagraph *b* of the first paragraph of section 234, paragraph *b* of section 234.0.1, the amount that the taxpayer may claim as a deduction under subparagraph *a* of the first paragraph of section 279 and sections 357 and 358, as they read in respect of a disposition of property, may not be taken into account.”

(2) Subsection 1 has effect from 20 December 2006.

**153.** (1) Section 453 of the Act is amended

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

“**453.** If a right to receive an amount is transferred or distributed as a consequence of the death of a taxpayer to a beneficiary who is the taxpayer’s spouse resident in Canada immediately before the death or a trust referred to in section 440, and the beneficiary and the legal representative of the taxpayer make a valid election under subsection 2 of section 72 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of that right, the following rules apply if the taxpayer was resident in Canada immediately before dying:

(a) sections 153 and 208 and sections 357 and 358, as they read in respect of the disposition of property, apply in computing the taxpayer’s income for the taxation year of the taxpayer’s death, subparagraph *b* of the first paragraph of section 234 applies in computing the taxpayer’s gain for that year and section 452 does not apply for the purpose of computing the taxpayer’s gain referred to in subparagraph *a* of the first paragraph of section 279 for that year, and the beneficiary must include in computing the beneficiary’s income or gain for the beneficiary’s first taxation year ending after the death the amounts deducted in respect of the taxpayer under sections 153 and 208, subparagraph *b* of the first paragraph of section 234, subparagraph *a* of the first paragraph of section 279 or sections 357 and 358;”;

(2) by replacing “paragraph *a*” in paragraph *b* by “subparagraph *a*”;

(3) by replacing paragraph *c* by the following paragraph:

“(c) despite paragraphs *a* and *b*, if the taxpayer had disposed of a property, the beneficiary is deemed, for the purpose of computing any reserve the beneficiary may claim as a deduction, in respect of the disposition of property, under section 153, subparagraph *b* of the first paragraph of section 234, subparagraph *a* of the first paragraph of section 279 or either of sections 357 and 358, as they read in respect of that disposition, in computing the beneficiary’s income for a taxation year ending after the death of the taxpayer, to be the taxpayer who had disposed of the property and to have disposed of it at the time it was disposed of by the taxpayer.”;

(4) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 72 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006. However, when section 453 of the Act applies before 15 May 2009, it is to be read as if “distribué” in the portion of the first paragraph before subparagraph *a* in the French text was replaced by “attribué”.

**154.** (1) Section 455.0.1 of the Act is amended by replacing “revoked” in the following provisions by “rescinded”:

- the portion of the first paragraph before subparagraph *a*;
- the second paragraph.

(2) Subsection 1 has effect from 20 December 2006.

**155.** (1) Section 462.6.1 of the Act is replaced by the following section:

**“462.6.1.** Section 462.5 does not apply to a disposition of property made under subparagraph *b* of the first paragraph of section 785.2 at a particular time by a taxpayer who is a recipient referred to in section 462.5, unless the recipient and the individual referred to in section 462.5 make a valid election under subsection 3 of section 74.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the disposition.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 74.2 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**156.** (1) Section 462.6.2 of the Act is amended

(1) by replacing “an election under section 462.6.1” in the portion before paragraph *a* by “an election referred to in the first paragraph of section 462.6.1”;

(2) by replacing “referred to in section 462.6.1, at which the recipient disposes of the property referred to in that section” in paragraph *a* by “referred to in the first paragraph of section 462.6.1, at which the recipient disposes of the property referred to in that paragraph”.

(2) Subsection 1 has effect from 20 December 2006.

**157.** (1) Section 462.14 of the Act is amended

(1) by replacing “contemplated in section 462.13” in the portion before paragraph *a* by “to which section 462.13 refers”;

(2) by replacing “to be interest” in paragraph *a* by “to have been received as interest”;

(3) by replacing “5/4 of all taxable dividends received, other than dividends deemed under Chapter III of Title IX to have been received, by the taxpayer in the year” in paragraph *b* by “the aggregate of all amounts included in computing the individual’s income for the year under sections 497 and 577 in relation to the taxable dividends received by the individual in the year, other than dividends deemed under Chapter III of Title IX to have been received”.

(2) Paragraph 3 of subsection 1 applies in respect of an amount received after 23 March 2006.

**158.** (1) Section 462.16 of the Act is replaced by the following section:

**“462.16.** Section 462.1 does not apply in respect of any income or loss from a property that is attributable to the period throughout which the persons referred to in that section lived separate and apart from each other because of a breakdown of their marriage, and sections 462.5 and 462.6 do not apply in respect of a disposition of property that occurs at any time while the persons referred to in those sections are living separate and apart from each other because of a breakdown of their marriage if the individual and the individual’s spouse make a valid election under paragraph *b* of subsection 3 of section 74.5 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the disposition.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *b* of subsection 3 of section 74.5 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**159.** (1) Sections 470 and 471 of the Act are replaced by the following sections:

**“470.** In the case provided for in section 469, if the acquisition is made by a taxpayer resident in Canada and the taxpayer makes a valid election under subsection 1 of section 80.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of all indemnities acquired by the taxpayer, an amount, in respect of each indemnity, equal to its principal amount or, if, in accordance with paragraph *d* of that subsection 1, the taxpayer has designated in the election an amount in respect of the indemnity that is less than the principal amount, equal to that lesser amount, is deemed to be the cost to the taxpayer of the indemnity and, for the purpose of computing the proceeds of disposition of the foreign property, the amount received by the taxpayer because of the acquisition of the indemnity.



However, if the amount designated by the taxpayer in the election referred to in the first paragraph in respect of an indemnity is less than the principal amount of the indemnity and, but for this paragraph, the proceeds of disposition of the foreign property, computed with reference to the first paragraph, would be less than the cost amount to the taxpayer of the foreign property immediately before it was taken or sold, that cost amount is, for the purposes of the first paragraph, to be increased by the taxpayer on or before the taxpayer's filing-due date for the taxation year in which the taxpayer acquired the indemnity or, if the taxpayer does not do so, by the Minister, so that the proceeds of disposition of the foreign property, computed with reference to the first paragraph, are equal to the cost amount to the taxpayer of the foreign property immediately before it was taken or sold.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

**“471.** If a taxpayer makes a valid election under subsection 2 of section 80.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of all amounts received or to be received by the taxpayer as interest on the indemnities the taxpayer acquires, the following rules apply in respect of each indemnity:

(a) in computing the taxpayer's income for the year from the indemnity, in respect of each interest amount that the taxpayer receives in the year, the taxpayer may deduct the lesser of that amount and the aggregate of the amount to be added under subparagraph *b* in computing the adjusted cost base to the taxpayer of the indemnity and the greater, immediately before the interest amount was received, of the adjusted cost base to the taxpayer of the indemnity and its adjusted principal amount to the taxpayer, and the taxpayer shall include, in respect of each amount the taxpayer receives in the year as the principal amount of the indemnity or as proceeds of disposition of the indemnity, the amount by which the amount the taxpayer so receives exceeds the greater, immediately before receiving that amount, of the adjusted cost base to the taxpayer of the indemnity and its adjusted principal amount to the taxpayer;

(b) in computing, at a particular time, the adjusted cost base to the taxpayer of the indemnity, in respect of each interest amount received by the taxpayer before that time, the taxpayer shall add an amount equal to the lesser of the income or profit tax paid by the taxpayer in that respect to the government of a foreign country and the proportion of that tax that the adjusted cost base to the taxpayer of the indemnity, immediately before the taxpayer received the amount, is of the amount by which the amount exceeds that tax, and shall deduct each interest amount the taxpayer received before that time in respect of that indemnity and each amount the taxpayer received before that time as the principal amount of that indemnity;

(c) the amount received by the taxpayer as the principal amount of the indemnity is deemed not to be the proceeds of a partial disposition of the indemnity; and

(d) for the purposes of sections 772.2 to 772.13, despite the definition assigned to “non-business-income tax” in section 772.2, the non-business-income tax paid by the taxpayer does not include the amount that is required under subparagraph *b* to be added in computing the adjusted cost base to the taxpayer of the indemnity.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**160.** (1) Section 472 of the Act is amended by replacing “the tax contemplated in paragraph *b* of section 471 and the proportion of the said tax determined in the said paragraph” by “the tax referred to in subparagraph *b* of the first paragraph of section 471 and the proportion of that tax determined in that subparagraph”.

(2) Subsection 1 has effect from 20 December 2006.

**161.** (1) Section 473 of the Act is amended by replacing “For the purposes of section 471, where” by “For the purposes of the first paragraph of section 471, if”.

(2) Subsection 1 has effect from 20 December 2006.

**162.** (1) Section 474 of the Act is amended by replacing “except that for the purposes of paragraph *a* of section 471” by “except that, for the purposes of subparagraph *a* of the first paragraph of section 471,”.

(2) Subsection 1 has effect from 20 December 2006.

**163.** (1) Section 475 of the Act is replaced by the following section:

**“475.** For the purposes of Title IV and the first paragraph of section 471, and in applying sections 472 and 474 for those purposes, if two or more indemnities described in section 469 have been issued at the same time in respect of the same foreign property and acquired by a taxpayer who makes a valid election under subsection 9 of section 80.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of all such indemnities, the latter are deemed to constitute a single indemnity so issued and acquired.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 9 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**164.** (1) Section 476 of the Act is amended by replacing “an election contemplated by section 470” by “an election referred to in the first paragraph of section 470”.

(2) Subsection 1 has effect from 20 December 2006.

**165.** (1) Section 477 of the Act is amended

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

“**477.** If the property described in section 476 is acquired as a dividend payable in kind or as a benefit that the taxpayer should include in computing the taxpayer’s income under section 111, and the taxpayer makes, after 19 December 2006, a valid election under the portion of subsection 4 of section 80.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) before paragraph *a* in respect of all such property, the following rules apply in respect of each such property:

(*a*) an amount equal to the principal amount of the property or, if, in accordance with subparagraph ii of paragraph *a* of subsection 4 of section 80.1 of the Income Tax Act, the taxpayer has designated in the election an amount in respect of the property that is less than the principal amount, equal to that lesser amount, is deemed to be, despite section 304, the cost to the taxpayer of the property and the amount of the dividend or benefit received by the taxpayer because of the acquisition of the property;

(*b*) if the property is so acquired as such a benefit and, in accordance with paragraph *b* of subsection 4 of section 80.1 of the Income Tax Act, the taxpayer has designated in that election a class of shares of the capital stock of the taxpayer’s affiliate in respect of the property, the amount of the benefit is deemed to have been received by the taxpayer as a dividend from the taxpayer’s affiliate on that class and not as an amount the taxpayer is required to include in computing the taxpayer’s income under section 111;”;

(2) by replacing “paragraph *c*” in paragraph *d* by “subparagraph *c*”;

(3) by striking out “être” in paragraph *e* in the French text and “et” at the end of that paragraph in the French text;

(4) by replacing paragraph *f* by the following paragraph:

“(f) if the taxpayer makes a valid election under paragraph *f* of subsection 4 of section 80.1 of the Income Tax Act after 19 December 2006 in respect of the property, the first paragraph of section 471 applies as if the property were an indemnity acquired by the taxpayer for foreign property taken by a government or person referred to in section 469.”;

(5) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**166.** (1) Sections 478 and 479 of the Act are replaced by the following sections:

**“478.** If the property described in section 476 is acquired as consideration for the settlement or extinction of a debt that is payable to the taxpayer by the taxpayer’s foreign affiliate and that is represented by a capital property, or for the settlement or extinction of any other obligation, so represented, of the affiliate to pay an amount to the taxpayer, and the taxpayer makes a valid election under subsection 5 of section 80.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of all such property, the following rules apply in respect of each such property:

(a) subparagraph *a* of the first paragraph of section 477 applies by replacing “the amount of the dividend or benefit received by the taxpayer” by “the proceeds of disposition, for the taxpayer, of the debt or the settled or extinct obligation”;

(b) if, in accordance with paragraph *b* of subsection 5 of section 80.1 of the Income Tax Act, the taxpayer has designated in that election a class of shares of the capital stock of the taxpayer’s foreign affiliate in respect of the property, the amount by which the cost to the taxpayer of the property, computed with reference to subparagraph *a*, exceeds the amount of the debt or obligation settled or extinct because of the acquisition of the property is deemed to have been received by the taxpayer as a dividend from the taxpayer’s affiliate in respect of that class of shares and the capital gain realized by the taxpayer from the disposition of the debt or of the obligation is deemed to be nil;

(c) a capital loss of the taxpayer from the disposition of the debt or of the obligation is deemed to be nil; and

(d) subparagraphs *c* to *f* of the first paragraph of section 477 apply to the property.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

**“479.** If the property described in section 476 is acquired as a consequence of the winding-up, discontinuance or reorganization of the business of the foreign affiliate or as consideration for the redemption, cancellation or acquisition by the affiliate of shares of its capital stock, and

the taxpayer makes a valid election under subsection 6 of section 80.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of all property so acquired, section 470 applies in respect of each such property as if such property were an indemnity acquired by the taxpayer as consideration for the sale of the foreign property that consisted of shares of the capital stock of the taxpayer's foreign affiliate immediately before the acquisition and that was sold to a government or person referred to in section 469.

Similarly, if the taxpayer makes a valid election under subsection 6 of section 80.1 of the Income Tax Act after 19 December 2006 in respect of all amounts received or to be received by the taxpayer as interest on all property so acquired from the taxpayer's affiliate, section 471 applies in respect of each such amount as if the property were such an indemnity.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 80.1 of the Income Tax Act or in relation to an election made under the first or second paragraph before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**167.** (1) Section 484.9 of the Act is amended

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

“(a) the amount claimed as a deduction by the creditor on account of a reserve under subparagraph *b* of the first paragraph of section 234 or under subparagraph *a* of the first paragraph of section 279 for the preceding taxation year in respect of a disposition of the property before the particular year is deemed to be equal to the amount by which the amount so claimed as a deduction exceeds the aggregate of all amounts determined under subparagraphs *a* and *b* of the first paragraph of section 484.11 in respect of the seizure; and”;

(2) by replacing “paragraphs *a* and *b* of section 484.11” in paragraph *b* by “subparagraphs *a* and *b* of the first paragraph of section 484.11”.

(2) Subsection 1 has effect from 20 December 2006.

**168.** (1) Section 484.11 of the Act is amended by replacing the second paragraph by the following paragraph:

“The amount to which the first paragraph refers is the amount deducted or claimed as a deduction under section 153, subparagraph *b* of the first paragraph of section 234 or subparagraph *a* of the first paragraph of section 279, as the case may be, in respect of the particular property in computing the creditor's income or capital gain for the preceding taxation year or the amount by which the proceeds of disposition of the creditor of the particular property are reduced because of section 484.10 in respect of a disposition of the particular property by the creditor occurring before that time and in the year.”

(2) Subsection 1 has effect from 20 December 2006.

**169.** (1) Section 485.21 of the Act is amended

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

“(a) if that payment is less than the amount that would be the cost amount to the subsidiary or parent of the subsidiary’s obligation or the parent’s obligation immediately before the particular time if the definition of “cost amount” in section 1 were read without reference to its paragraph *e*, and the parent makes a valid election under paragraph *c* of subsection 4 of section 80.01 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the subsidiary’s obligation or the parent’s obligation, the amount paid at that time in satisfaction of the principal amount of the subsidiary’s obligation or the parent’s obligation is deemed to be equal to the amount that would be the cost amount to the subsidiary or the parent, as the case may be, of the subsidiary’s obligation or the parent’s obligation immediately before that time if that definition of “cost amount” were read without reference to its paragraph *e*, and if that cost amount included amounts added in computing the subsidiary’s income or the parent’s income in respect of the portion of the indebtedness representing unpaid interest, to the extent that the subsidiary or the parent has not deducted any amount as bad debts in respect of that unpaid interest; and”;

(2) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of subsection 4 of section 80.01 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**170.** (1) Section 487.0.3 of the Act is replaced by the following section:

“**487.0.3.** The amount deducted under section 487.0.2 in computing the income of a taxpayer for a particular taxation year from a farming business carried on in a drought region, within the meaning of the regulations made under that section,

(a) must, up to the amount determined under the second paragraph, be included in computing the taxpayer’s income from the business for a given taxation year ending after the particular taxation year; and

(b) is deemed, except to the extent that the amount has been included under this section in computing the taxpayer’s income from the business for a preceding taxation year after the particular taxation year, to be income of the taxpayer from the business for the taxation year that is the earliest of

- i. the taxpayer's first taxation year beginning after the end of the period or series of continuous periods for which the region was a drought region,
- ii. the taxpayer's first taxation year, following the particular taxation year, at the end of which the taxpayer was not resident in Canada and not carrying on business through a fixed place of business in Canada, and
- iii. the taxpayer's taxation year in which the taxpayer died.

The amount to which subparagraph *a* of the first paragraph refers is equal to the lesser of

(*a*) the amount deducted under section 487.0.2 in computing the taxpayer's income for the particular taxation year from the farming business, except to the extent that the amount has been included under this section in computing the taxpayer's income from the business for a taxation year preceding the given taxation year but after the particular taxation year; and

(*b*) the amount included for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 5 of section 80.3 of that Act, in computing the taxpayer's income from the business for the given taxation year because of an election made in accordance with that subsection 5 after 19 December 2006 in respect of the amount deducted under subsection 4 of section 80.3 of that Act in that computation for the particular taxation year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5 of section 80.3 of the Income Tax Act or in relation to an election made under this section before 20 December 2006."

(2) Subsection 1 has effect from 20 December 2006.

**171.** (1) Section 496 of the Act is replaced by the following section:

**“496.** An individual referred to in section 494 who makes, for the taxation year in which a person who suffered physical or mental injury reached 21 years of age, a valid election under subsection 5 of section 81 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to a property described in section 494, is deemed to have disposed of the property on the day preceding the date on which the person reached 21 years of age for proceeds of disposition equal to the fair market value of the property on that day and to have reacquired it immediately after at a cost equal to those proceeds.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5 of section 81 of the Income Tax Act or in relation to an election made under this section before 20 December 2006."

(2) Subsection 1 has effect from 20 December 2006.

**172.** (1) Section 497 of the Act is replaced by the following section:

“**497.** A taxpayer shall include, in computing the taxpayer’s income for a taxation year, the aggregate of

(a) the amount by which the aggregate of all amounts, other than an eligible dividend or an amount described in any of subparagraphs *c* to *e*, received by the taxpayer in the taxation year from corporations resident in Canada as, on account of, in lieu of payment of or in satisfaction of, taxable dividends, exceeds, if the taxpayer is an individual, the aggregate of all amounts paid by the taxpayer in the taxation year that are deemed, under section 21.32, to have been received by another person as taxable dividends, other than an eligible dividend;

(b) the amount by which the aggregate of all amounts, other than an amount included in computing the taxpayer’s income because of any of subparagraphs *c* to *e*, received by the taxpayer in the taxation year from corporations resident in Canada as, on account of, in lieu of payment of or in satisfaction of, eligible dividends, exceeds, if the taxpayer is an individual, the aggregate of all amounts paid by the taxpayer in the taxation year that are deemed, under section 21.32, to have been received by another person as eligible dividends;

(c) the aggregate of the taxable dividends received by the taxpayer at any time in the taxation year on a share acquired before that time and after 30 April 1989 from corporations resident in Canada under a dividend rental arrangement of the taxpayer;

(d) the aggregate of the taxable dividends, other than a taxable dividend described in subparagraph *c*, received by the taxpayer in the taxation year from corporations resident in Canada that are not taxable Canadian corporations; and

(e) if the taxpayer is a trust, the aggregate of all amounts each of which is all or part of a taxable dividend, other than a dividend described in subparagraph *c* or *d*, that was received by the trust in the taxation year on a share of the capital stock of a taxable Canadian corporation and that can reasonably be considered to have been included in computing the income of a beneficiary under the trust who was not resident in Canada at the end of the taxation year.

The taxpayer shall also include, in computing the taxpayer’s income for a taxation year, if the taxpayer is an individual, other than a trust that is a registered charity, the aggregate of

(a) 25% of the excess amount determined in respect of the taxpayer under subparagraph *a* of the first paragraph for the taxation year; and

(b) 45% of the excess amount determined in respect of the taxpayer under subparagraph *b* of the first paragraph for the taxation year.”



(2) Subsection 1 applies in respect of an amount received or paid after 23 March 2006.

**173.** (1) The Act is amended by inserting the following section after section 498:

**“498.1.** If a corporation makes a valid election, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 2 of section 185.1 of that Act in relation to an eligible dividend (in this section referred to as the “original dividend for federal purposes”) that it paid at a particular time after 23 March 2006, the following rules apply:

(a) despite the definition of “eligible dividend” in section 1, the amount of the dividend corresponding to the original dividend for federal purposes, that is an eligible dividend (in this section referred to as the “original dividend for Québec purposes”) that the corporation paid at the particular time is deemed to be equal to the lesser of the amount of the original dividend for Québec purposes, determined without reference to this section, and the amount of the original dividend for federal purposes, determined under paragraph *a* of subsection 2 of section 185.1 of the Income Tax Act;

(b) an amount equal to the amount by which the amount of the original dividend for Québec purposes, determined without reference to this section, exceeds the amount of the original dividend for Québec purposes, determined under subparagraph *a*, is deemed to be a separate taxable dividend, other than an eligible dividend, that was paid by the corporation immediately before the particular time;

(c) each shareholder of the corporation who at the particular time held any of the issued shares of the class of shares in respect of which the original dividend for Québec purposes was paid is deemed

- i. not to have received the original dividend for Québec purposes, and
- ii. to have received at the particular time

(1) as an eligible dividend, the shareholder’s proportional share of the amount of any dividend determined under subparagraph *a*, and

(2) as a taxable dividend, other than an eligible dividend, the shareholder’s proportional share of the amount of any dividend determined under subparagraph *b*;

(d) a shareholder’s proportional share of the amount of a dividend paid at any time on a class of shares of the capital stock of a corporation is the proportion of that amount that the number of shares of that class held by the shareholder at that time is of the number of shares of that class outstanding at that time; and

(e) not later than 30 days after the day on which the election is made, the corporation shall notify the Minister in writing of the election and attach to the notice a copy of every document sent to the Minister of National Revenue in connection with the election.

In the event of non-compliance with a requirement of subparagraph *e* of the first paragraph, the corporation incurs a penalty of \$25 a day for every day the omission continues, up to \$2,500.

Under this Part and despite sections 1010 to 1011, the Minister may make such assessments of the tax, interest and penalties payable as are necessary for any taxation year to give effect to the rules set out in this section in relation to the original dividend for Québec purposes, if the corporation fails to comply with a requirement of subparagraph *e* of the first paragraph in relation to the valid election referred to in that paragraph in respect of the original dividend for federal purposes or if the corporation makes the election after the day that is 30 months after the day on which the original dividend for federal purposes was paid.”

(2) Subsection 1 applies to a taxation year that ends after 23 March 2006. However, when section 498.1 of the Act applies before 20 December 2006, it is to be read

(1) without reference to subparagraph *e* of the first paragraph and the second paragraph; and

(2) as if “if the corporation fails to comply with a requirement of subparagraph *e* of the first paragraph in relation to the valid election referred to in that paragraph in respect of the original dividend for federal purposes or if the corporation makes the election” in the third paragraph was replaced by “if the corporation makes the valid election referred to in the first paragraph in respect of the original dividend for federal purposes”.

**174.** (1) Section 500 of the Act is amended

(1) by replacing “Aux fins” and “payable”, wherever the latter appears, in the first paragraph in the French text by “Pour l’application” and “à payer”, respectively;

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

“The dividends referred to in the first paragraph are deemed to become payable in the order designated in their respect in accordance with subsection 3 of section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).”;

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

“Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 3 of section 89 of the Income Tax Act or in relation to an election made under this section before 20 December 2006, and must, if the order referred to in the second paragraph was designated by the Minister of National Revenue, be applied, with the necessary modifications, as if the designation had been made by the corporation.”

(2) Paragraphs 2 and 3 of subsection 1 have effect from 20 December 2006.

**175.** (1) Section 506.1 of the Act is replaced by the following section:

**“506.1.** Any amount paid by a public corporation on the reduction of the paid-up capital in respect of any class of shares of its capital stock, otherwise than by way of a redemption, acquisition or cancellation of a share of that class or by way of a transaction described in section 505 or Chapter V, is deemed to have been paid by the corporation and received by the person to whom it was paid, as a dividend, unless

(a) the amount may reasonably be considered to be derived from proceeds of disposition realized by the corporation, or by a person or partnership in which the corporation had a direct or indirect interest at the time that the proceeds were realized, from a transaction that occurred

i. outside the ordinary course of the business of the corporation, or of the person or partnership that realized the proceeds, and

ii. within the period that began 24 months before the payment; and

(b) no amount that may reasonably be considered to be derived from those proceeds was paid by the corporation on a previous reduction of the paid-up capital in respect of any class of shares of its capital stock.”

(2) Subsection 1 applies in respect of an amount paid after 31 December 1996. However, when section 506.1 of the Act applies in respect of an amount paid before 27 February 2004, it is to be read as follows:

**“506.1.** Any amount paid by a public corporation on the reduction of the paid-up capital in respect of any class of shares of its capital stock, otherwise than by way of a redemption, acquisition or cancellation of a share of that class or by way of a transaction described in section 505 or Chapter V, is deemed to have been paid by the corporation and received by the person to whom it was paid, as a dividend, unless the amount may reasonably be considered to be derived from proceeds of disposition realized by the corporation, or by a person or partnership in which the corporation had a direct or indirect interest at the time that the proceeds were realized, from a transaction that occurred outside the ordinary course of the business of the corporation, or of the person or partnership that realized the proceeds.”

**176.** (1) Section 517.4.5 of the Act is replaced by the following section:

**“517.4.5.** For the purposes of section 517.4.4, if more than one share to which that section applies is disposed of in a taxation year, each such share is deemed to have been separately disposed of in the order designated by the taxpayer after 19 December 2006 in accordance with subsection 2.1 of section 84.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in relation to those shares.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 2.1 of section 84.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**177.** (1) Section 520.3 of the Act is repealed.

(2) Subsection 1 applies in respect of a disposition that occurs after 20 December 2006.

**178.** (1) Sections 522.1 to 522.5 of the Act are repealed.

(2) Subsection 1 applies in respect of a disposition that occurs after 20 December 2006.

**179.** (1) Section 529 of the Act is amended by replacing the second paragraph by the following paragraph:

“In addition, for the purposes of the third paragraph of section 520.1 in respect of the disposition, subparagraph *a* of that paragraph is to be read as if “the taxation year which, of the taxation years of those persons, ends the latest” in the portion before subparagraph *i* was replaced by “that taxation year of the corporation or the fiscal period of the partnership in which the disposition was made, whichever year or period in the latter case ends later”.”

(2) Subsection 1 applies in respect of a disposition that occurs after 20 December 2006.

**180.** (1) Section 549 of the Act is replaced by the following section:

**“549.** For the purposes of this Part, the new corporation is deemed to continue the corporate existence of any predecessor corporation, except when otherwise provided in this chapter or the regulations.

However, the first taxation year of the new corporation is deemed to begin at the time of the amalgamation.”

(2) Subsection 1 applies in respect of an amalgamation that occurs after 19 December 2006.

**181.** (1) The Act is amended by inserting the following section after section 550:

**“550.0.1.** For the purpose of applying this chapter to an amalgamation governed by section 689 of the Act respecting financial services cooperatives (chapter C-67.3), an investment deposit of a savings and credit union is deemed to be a share of a separate class of the capital stock of a predecessor corporation in respect of the amalgamation the adjusted cost base and paid-up capital of which to the savings and credit union is equal to the adjusted cost base to the savings and credit union of that deposit immediately before the amalgamation if

(a) immediately before the amalgamation, that deposit is an investment deposit, to which section 425 of the Savings and Credit Unions Act (chapter C-4.1) applies, of an investment fund of the predecessor corporation; and

(b) on the amalgamation, the savings and credit union disposes of that deposit for consideration that consists solely of shares of a class of the capital stock of the new corporation.”

(2) Subsection 1 applies in respect of an amalgamation that occurs after 30 June 2001.

**182.** (1) Section 559 of the Act is amended

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

“If the property referred to in the first paragraph is a capital property, other than property described in the third paragraph, owned by the subsidiary at the time the parent last acquired control of the subsidiary and subsequently without interruption until the time it was distributed to the parent on the winding-up, there is to be added to the cost to the parent of the property, as otherwise determined under the first paragraph, the amount determined under section 560 in respect of the property.”;

(2) by replacing “réfère le deuxième alinéa” in the portion of the third paragraph before subparagraph *a* in the French text by “le deuxième alinéa fait référence”.

(2) Paragraph 1 of subsection 1 has effect from 20 December 2006.

**183.** (1) Section 560 of the Act is replaced by the following section:

**“560.** The amount that is to be added to the cost, to the parent, of a particular capital property described in the second paragraph of section 559 is equal, subject to the second paragraph, to the lesser of

(a) the total of

i. the amount designated after 19 December 2006 by the parent in accordance with paragraph *d* of subsection 1 of section 88 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in relation to the particular capital property, and

ii. if the total of the amounts designated by the parent in accordance with paragraph *d* of subsection 1 of section 88 of the Income Tax Act in relation to the aggregate of the capital properties described in the second paragraph of section 559 corresponds to the maximum total of the amounts that the parent may then designate in accordance with that paragraph *d* in relation to the aggregate of those capital properties, the portion—that is specified by the parent, in its fiscal return under this Part for the taxation year in which the subsidiary is wound up, in relation to the particular capital property and that is not so specified in relation to another capital property—of the amount by which the amount described in the third paragraph in respect of the capital properties described in the second paragraph of section 559 exceeds the portion of the maximum total of the amounts that the parent may then designate in accordance with that paragraph *d* in relation to the aggregate of those capital properties that exceeds the aggregate of all amounts each of which is the amount by which the amount described in subparagraph *i* in respect of a capital property described in the second paragraph of section 559 exceeds the amount determined under subparagraph *b* in respect of that capital property; and

(*b*) the amount by which the fair market value of the particular capital property, at the time the parent last acquired control of the subsidiary, exceeds the cost amount of that capital property to the subsidiary immediately before the winding-up.

However, if the aggregate of the amounts determined under the first paragraph in respect of the capital properties described in the second paragraph of section 559 would, but for this paragraph, exceed the amount described in the third paragraph, the amount otherwise determined under the first paragraph in respect of such a capital property must be reduced to the amount specified in relation to that capital property by the parent in its fiscal return under this Part for the taxation year in which the subsidiary is wound up or, if no amount is so specified, by the Minister, so that the aggregate is equal to the amount described in the third paragraph.

The amount referred to in subparagraph *ii* of subparagraph *a* of the first paragraph and in the second paragraph is an amount equal to the amount by which the aggregate described in paragraph *b* of section 558 exceeds the aggregate of

(*a*) the amount determined under subparagraph *ii* of paragraph *a* of section 558; and

(*b*) the aggregate of each amount relating to a share of the capital stock of the subsidiary disposed of by the parent on the winding-up or in contemplation of the winding-up and equal to the aggregate of each amount received by the

parent or by a corporation with which the parent was not dealing at arm's length, otherwise than because of a right referred to in paragraph *b* of section 20 in respect of the subsidiary, in respect of that share or a share (in this subparagraph referred to as a "replacement share") that replaced that share or a replacement share or that was exchanged for that share or a replacement share, as a taxable dividend, to the extent that the amount was deductible under sections 738 to 745 or section 845 in computing the taxable income of the recipient corporation for a taxation year and was not an amount on which it was required to pay prescribed tax, or as a capital dividend or life insurance capital dividend.

Chapter V.2 of Title II of Book I applies in relation to a designation made under paragraph *d* of subsection 1 of section 88 of the Income Tax Act or in relation to a determination made under this section before 20 December 2006."

(2) Subsection 1 has effect from 20 December 2006.

**184.** (1) Section 563 of the Act is replaced by the following section:

**"563.** If a subsidiary has made a gift in a taxation year (in this section referred to as the "gift year") for the purpose of computing the amount deductible under section 710 by the parent in computing its taxable income for a taxation year ending after the winding-up of the subsidiary, the parent is deemed to have made a gift, in its taxation year in which the gift year of the subsidiary ended, equal to the amount by which the aggregate of all amounts each of which is the amount of a gift or, in the case of a gift made after 20 December 2002, the eligible amount of the gift, made by the subsidiary in the gift year exceeds the aggregate of the amounts deducted under section 710 in computing the subsidiary's taxable income in respect of those gifts."

(2) Subsection 1 applies in respect of a winding-up that begins after 20 December 2002.

**185.** (1) Section 569 of the Act is replaced by the following section:

**"569.** If, because of the dissolution of a controlled foreign affiliate, within the meaning of section 572, of a taxpayer, the taxpayer receives a share of the capital stock of another foreign affiliate of the taxpayer, the following rules apply:

(a) the dissolved affiliate's proceeds of disposition of the share and the cost of the share to the taxpayer are deemed to be equal to the adjusted cost base to the affiliate of the share immediately before its dissolution or, if, in accordance with paragraph *a* of subsection 3 of section 88 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the taxpayer claims an amount after 19 December 2006 in respect of the share and that amount is greater than the adjusted cost base, to that greater amount; and

(b) the taxpayer's proceeds of disposition of the shares of the capital stock of the dissolved affiliate are deemed to be equal to the amount by which the aggregate of the cost to the taxpayer of each share so received upon the dissolution and the fair market value of any other property that the taxpayer also received at the same time exceeds the amount determined under the second paragraph.

The amount to which subparagraph *b* of the first paragraph refers is equal to the aggregate of any debt owing by the dissolved affiliate or of any other obligation of the affiliate to pay an amount, otherwise than as a dividend owing by it to the taxpayer or to a person with whom the taxpayer is not dealing at arm's length, that was outstanding immediately before its dissolution and that is assumed or cancelled by the taxpayer on the dissolution.

Chapter V.2 of Title II of Book I applies in relation to a claim made under paragraph *a* of subsection 3 of section 88 of the Income Tax Act or in relation to an election made under this section before 20 December 2006."

(2) Subsection 1 has effect from 20 December 2006.

**186.** (1) Section 570 of the Act is amended by inserting "other than paragraph *k* of section 998" after "statutory provision" in paragraph *m*.

(2) Subsection 1 applies to a taxation year that ends after 31 December 1999.

**187.** (1) Section 578.2 of the Act is amended

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

**"578.2.** Les conditions auxquelles le paragraphe *c* de l'article 578.1 fait référence sont les suivantes:";

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

"Les conditions auxquelles le paragraphe *d* de l'article 578.1 fait référence sont les suivantes:";

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

"(b) at the time of the distribution, the shares of the class that includes the original shares are widely held and

i. are actively traded on a foreign stock exchange in the United States, or



ii. are required, under the United States Securities Exchange Act of 1934, as amended from time to time, to be registered with the Securities and Exchange Commission of the United States and are so registered; and

“(c) under the provisions of the United States Internal Revenue Code of 1986, as amended from time to time, that apply to the distribution, no shareholder of the particular corporation who is resident in the United States is taxable in respect of the distribution.”

(2) Paragraph 3 of subsection 1 applies in respect of a distribution made after 31 December 1999. However, when subparagraph ii of subparagraph *b* of the second paragraph of section 578.2 of the Act applies in respect of a distribution relating to original shares described in that subparagraph ii, the information described in paragraph *e* of section 578.1 of the Act is deemed to have been provided to the Minister of Revenue within the prescribed time if it was provided before 13 August 2009.

**188.** (1) Section 600.2 of the Act is amended by replacing “is deemed under section 1096.1 to have ended” by “ended at the particular time referred to in section 1096.1”.

(2) Subsection 1 applies to a taxation year that ends after 19 December 2006.

**189.** (1) Section 601 of the Act is replaced by the following section:

“**601.** If an individual who is a member of a partnership immediately before its dissolution, or who is a member of a partnership that, but for section 618, would have been dissolved at a particular time, makes a valid election under subsection 2 of section 99 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to a fiscal period of the partnership that is referred to in the third or fourth paragraph of section 7, the partnership’s fiscal period is deemed, for the purpose of computing the individual’s income, to have ended immediately before the time it would normally have ended if the partnership had continued to exist.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 99 of the Income Tax Act.”

(2) Subsection 1 has effect from 20 December 2006. However, when section 601 of the Act has effect after 19 December 2006 and applies to a fiscal period referred to in the second paragraph of section 7 of the Act, as amended by section 13, it is to be read as follows:

“**601.** The fiscal period of a partnership that, but for section 618, would have been dissolved at a particular time, is deemed to have ended immediately before that time.

However, if an individual who is a member of a partnership immediately before its dissolution, or who is a member of a partnership that, but for section 618, would have been dissolved at a particular time, makes a valid election under subsection 2 of section 99 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the partnership's fiscal period and if the first paragraph of section 7.0.3 does not apply in respect of the partnership, the partnership's fiscal period is deemed, for the purpose of computing the individual's income, to have ended immediately before the time it would normally have ended if the partnership had continued to exist.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 99 of the Income Tax Act or in relation to an election made under the second paragraph before 20 December 2006."

**190.** (1) Section 602 of the Act is repealed.

(2) Subsection 1 has effect from 20 December 2006.

**191.** (1) The Act is amended by inserting the following section after section 602:

**"602.1.** If, at any time in a fiscal period of a partnership, a taxpayer ceases to be a member of the partnership, the following rules apply:

(a) for the purposes of sections 7 to 7.0.6, 217.2 to 217.17, 600, 607, 634 and 635 and despite section 643, the taxpayer is deemed to be a member of the partnership at the end of the fiscal period; and

(b) for the purpose of applying subparagraphs i and viii of paragraph *i* of section 255, subparagraph i of paragraph *l* of section 257 and the second paragraph of section 613.1 to the taxpayer, the fiscal period of the partnership is deemed to end

i. immediately before the time at which the taxpayer is deemed under section 436 to have disposed of the interest in the partnership, if the taxpayer ceased to be a member of the partnership because of the taxpayer's death, and

ii. immediately before the time that is immediately before the time that the taxpayer ceased to be a member of the partnership, in any other case."

(2) Subsection 1 applies from the taxation year 2003 when the taxpayer in respect of which it applied ceased to be a member of a partnership because of the taxpayer's death and, in any other case, from the taxation year 1995.

**192.** (1) Section 603 of the Act is replaced by the following section:

**"603.** If a taxpayer who was a member of a partnership during a fiscal period has, for the purpose of computing the taxpayer's income from the partnership for the fiscal period, entered into an agreement or made an

election, a designation or a specification under the regulations made under section 104, under any of sections 96, 119.15, 156, 180 to 182, 230, 279, 280.3, 299, 485.6, 485.9 to 485.11, 485.42 to 485.52, 614, 832.23 and 832.24 or, because of subparagraph *a* of the second paragraph of section 614, under the first paragraph of section 522, that, but for this section, would be a valid agreement, designation, specification or election, as the case may be, the following rules apply:

(a) the agreement, designation, specification or election is not valid unless it was entered into or made on behalf of the taxpayer and each other member of the partnership during the fiscal period and the taxpayer had authority to act for the partnership;

(b) if the agreement, designation, specification or election is valid under paragraph *a*, each other member of the partnership during the fiscal period is deemed to have entered into the agreement or made the designation, specification or election, as the case may be; and

(c) despite paragraph *a*, any agreement, designation, specification or election deemed to have been entered into or made, as the case may be, by a member under paragraph *b* is deemed to be a valid agreement, designation, specification or election entered into or made by that member.”

(2) Subsection 1 has effect from 20 December 2006.

**193.** (1) The Act is amended by inserting the following section after section 603:

“**603.1.** If a SIFT partnership becomes liable to pay the tax provided for in Part III.17 for a taxation year, the following rules apply:

(a) paragraph *f* of section 600 is to be read as if “the income of the partnership, for a taxation year, from any source in Canada or from sources in another place” was replaced by “the amount by which the partnership’s income for a taxation year from any source in Canada or from sources in another place exceeds, the portion, determined in respect of each such source, of the partnership’s taxable non-portfolio earnings for the year that is applicable to that source”; and

(b) the SIFT partnership is deemed to have received a dividend in the taxation year from a taxable Canadian corporation equal to the amount by which the amount of the SIFT partnership’s taxable non-portfolio earnings for the taxation year exceeds the amount determined by the formula

$$A \times (B + C).$$

In the formula in the first paragraph,

(a) A is the amount of the SIFT partnership’s taxable non-portfolio earnings for the taxation year;

(b) B is the basic rate determined in respect of the SIFT partnership for the taxation year under the third paragraph of section 1129.71 or, if the SIFT partnership has an establishment outside Québec in the year, the aggregate of the following rates:

i. that basic rate represented by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as that proportion would be determined under Chapters I and II of Title XX of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) if the SIFT partnership were a corporation, and

ii. the provincial SIFT tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and expressed as a percentage, that would be applicable to the SIFT partnership for the year if that definition applied in respect of the SIFT partnership for that year and if section 414 of the Income Tax Regulations made under that Act were read without reference to its subsection 4; and

(c) C is the net corporate income tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act and expressed as a percentage, that is applicable to the SIFT partnership for the taxation year.

For the purposes of this section, “taxable non-portfolio earnings” of a SIFT partnership has the meaning assigned by section 1129.70.”

(2) Subsection 1 has effect from 31 October 2006.

**194.** (1) Section 606 of the Act is amended by inserting “, according to an agreed proportion,” after “share”.

(2) Subsection 1 has effect from 21 December 2002.

**195.** (1) Section 614 of the Act is amended by striking out subparagraph *a.1* of the second paragraph.

(2) Subsection 1 applies in respect of a disposition that occurs after 20 December 2006.

**196.** (1) The Act is amended by inserting the following section after section 638.1:

**“638.2.** A taxpayer who pays an amount at any time in a taxation year is deemed to have a capital loss from a disposition of property for the year if

(a) the taxpayer disposed of an interest in a partnership before that time or, because of section 636, acquired before that time a right to receive property of a partnership;

(b) that time is after the disposition or acquisition;

(c) the amount would have been described in subparagraph *i* of paragraph *i* of section 255 had the taxpayer been a member of the partnership at that time; and

(d) the amount is paid pursuant to a legal obligation of the taxpayer to pay the amount.”

(2) Subsection 1 applies from the taxation year 1995.

**197.** (1) Section 646.1 of the Act is amended by replacing “7.11.2” in the portion before paragraph *a* by “7.11.1”.

(2) Subsection 1 applies from the taxation year 1998.

**198.** (1) Section 647 of the Act is amended

(1) by replacing “For the purposes of sections 653 to 656.2, 659, 660, 665, 665.1, 684 and 685 and paragraph *b* of section 657 at any time” in the portion of the third paragraph before subparagraph *a* by “For the purposes of sections 653 to 656.2, 659 and 660 and paragraph *b* of section 657 at any time”;

(2) by replacing “attribuer” and “l’attribution” wherever they appear in subparagraph *e* of the fourth paragraph in the French text by “distribuer” and “la distribution”, respectively;

(3) by replacing “attribution” and “l’attribution” in subparagraph *f* of the fourth paragraph in the French text by “distribution” and “la distribution”, respectively.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1998.

**199.** (1) Section 652 of the Act is amended

(1) by replacing “Aux fins” in the French text by “Pour l’application”;

(2) by replacing “663 and 667” by “663, 663.4 and 667”.

(2) Subsection 1 has effect from 31 October 2006.

**200.** Section 653 of the Act is amended by replacing “designates” in subparagraph *a.2* of the first paragraph by “distributes” and by replacing “l’attribution” and “attribution” wherever they appear in that subparagraph in the French text by “la distribution” and “distribution”, respectively.

**201.** Section 656.4 of the Act is amended

(1) by replacing “attribution” and “l’attribution” in paragraph *b* in the French text by “distribution” and “la distribution”, respectively;

(2) by replacing “distributions” in paragraph *b.1* by “a distribution”.

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

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

“(a) such amount as the trust claims as a deduction not exceeding the amount by which

*i.* such part of the amount (in this section referred to as the trust’s “adjusted distributions amount for the year”) that would be its income for the year as became payable in the year to a beneficiary or was included because of section 662 in computing the income of a beneficiary, but for”;

(2) by inserting the following subparagraph after subparagraph *iii*:

“iv. if the trust is a SIFT trust for the year, the amount by which its adjusted distributions amount for the year exceeds the amount by which the amount that would, but for this section, be its income for the year exceeds its non-portfolio earnings for the year, within the meaning assigned by the first paragraph of section 1129.70;”.

(2) Subsection 1 has effect from 31 October 2006.

**203.** (1) Section 659.1 of the Act is amended by replacing “revoked” in the following provisions by “rescinded”:

— the portion of the second paragraph before subparagraph *a*;

— the third paragraph.

(2) Subsection 1 has effect from 20 December 2006.

**204.** (1) Section 660.1 of the Act is replaced by the following section:

**“660.1.** If, at the end of the day on which a taxpayer dies and as a consequence of the death, an amount would, but for this section, be deemed under section 656.3 to have been paid to a trust out of the trust’s NISA Fund No. 2, and the trust and the legal representative of the taxpayer make a valid election under subsection 14.1 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to that fund, the portion of the amount, corresponding to the portion designated in the election, is deemed to have been paid to the taxpayer

out of the taxpayer's NISA Fund No. 2 immediately before the end of the day and, for the purposes of subparagraph *b* of the second paragraph of section 92.5.2 in respect of the trust, the amount is deemed to have been paid out of the trust's NISA Fund No. 2 immediately before the end of the day.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 14.1 of section 104 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**205.** (1) The Act is amended by inserting the following section after section 663.3:

**“663.4.** If an amount (in this section referred to as the “SIFT trust's non-deductible distributions amount for the taxation year”) is determined under subparagraph iv of paragraph *a* of section 657 for a taxation year, in relation to a SIFT trust, the following rules apply:

(*a*) each beneficiary under the SIFT trust to whom at any time in the year an amount became payable by the trust is deemed to have received at that time a taxable dividend that was paid at that time by a taxable Canadian corporation;

(*b*) the amount of a dividend that, in accordance with subparagraph *a*, is deemed to have been received by a particular beneficiary at any time in a taxation year is equal to the amount determined by the formula

$A/B \times C$ ; and

(*c*) the amount of a dividend described in subparagraph *a* in relation to a beneficiary under the SIFT trust is deemed for the purposes of section 663 not to have become payable to the beneficiary.

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

(*a*) *A* is the amount that became payable at the time determined under that subparagraph *b* by the SIFT trust to the particular beneficiary;

(*b*) *B* is the aggregate of all amounts each of which is an amount that became payable at any time in the taxation year by the SIFT trust to a beneficiary; and

(*c*) *C* is the SIFT trust's non-deductible distributions amount for the taxation year.”

(2) Subsection 1 has effect from 31 October 2006.

**206.** (1) Section 665.1 of the Act is amended by replacing “paragraph *c* of section 785.1 or 785.2” by “paragraph *c* of section 785.1 or subparagraph *c* of the first paragraph of section 785.2”.

(2) Subsection 1 has effect from 20 December 2006.

**207.** (1) Section 666 of the Act is replaced by the following section:

**“666.** A portion of a taxable dividend received by a trust, in a particular taxation year of the trust, on a share of the capital stock of a taxable Canadian corporation, is deemed, for the purposes of the second paragraph of section 497, the third and fourth paragraphs of section 686 and sections 738 to 745, not to have been received by the trust and is deemed, for the purposes of this Part, to be a taxable dividend on the share received by a taxpayer in the taxpayer’s taxation year in which the particular year ends if

(a) an amount equal to that portion is designated by the trust, in respect of the taxpayer, in the trust’s fiscal return filed under this Part for the particular year and may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, because of any of sections 659, 661 and 662 or paragraph *a* of section 663, was included in computing the income for that taxation year of the taxpayer;

(b) the taxpayer is in the particular year a beneficiary under the trust;

(c) the trust is, throughout the particular year, resident in Canada; and

(d) the aggregate of all amounts each of which is an amount designated, under this section, by the trust in respect of a beneficiary under the trust in the trust’s fiscal return filed under this Part for the particular year is not greater than the aggregate of all amounts each of which is the amount of a taxable dividend, received by the trust in the particular year, on a share of the capital stock of a taxable Canadian corporation.”

(2) Subsection 1 applies to a taxation year that ends after 27 February 2004. However, when paragraph *a* of section 666 of the Act applies before 18 July 2005, it is to be read as if “because of any of sections 659, 661 and 662 or paragraph *a* of section 663” was replaced by “because of any of sections 659 and 661 to 663”.

**208.** (1) Section 668 of the Act is replaced by the following section:

**“668.** For the purposes of sections 28 and 727 to 737, except as they apply to Title VI.5 of Book IV, an amount of a trust’s net taxable capital gains for a particular taxation year of the trust is deemed to be a taxable capital gain, for the taxation year of a taxpayer in which the particular year ends, from the disposition by the taxpayer of capital property if

(a) the amount is designated by the trust, in respect of the taxpayer, in the trust’s fiscal return filed under this Part for the particular year and may reasonably be considered, having regard to all the circumstances including



the terms and conditions of the trust arrangement, to be part of the amount that, because of any of sections 659, 661 and 662 or paragraph *a* of section 663, was included in computing the income for that taxation year of the taxpayer;

(b) the taxpayer is

- i. in the particular year, a beneficiary under the trust, and
- ii. resident in Canada, unless the trust is, throughout the particular year, a mutual fund trust;

(c) the trust is, throughout the particular year, resident in Canada; and

(d) the aggregate of all amounts each of which is an amount designated, under this section, by the trust in respect of a beneficiary under the trust in the trust's fiscal return filed under this Part for the particular year is not greater than the trust's net taxable capital gains for the particular year."

(2) Subsection 1 applies to a taxation year that ends after 27 February 2004. However, when paragraph *a* of section 668 of the Act applies before 18 July 2005, it is to be read as if "because of any of sections 659, 661 and 662 or paragraph *a* of section 663" was replaced by "because of any of sections 659 and 661 to 663".

**209.** (1) Section 668.7 of the Act is amended

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

"(f.1) if the deemed gains are in respect of capital gains of the trust from dispositions of property after 27 February 2000 but before 17 October 2000, and the taxation year of the taxpayer began after 27 February 2000 and ended after 17 October 2000, the deemed gains are deemed to be capital gains of the taxpayer from the disposition by the taxpayer of capital property in the year and in the period that began after 27 February 2000 and ended before 18 October 2000;"

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

"(g) if the deemed gains are in respect of capital gains of the trust from dispositions of property after 27 February 2000 but before 17 October 2000 and the taxation year of the taxpayer began after 27 February 2000 and ended before 18 October 2000, the deemed gains are deemed to be capital gains of the taxpayer from the disposition by the taxpayer of capital property in the year; and"

(2) Paragraph 1 of subsection 1 applies to a taxation year that ends after 27 February 2000.

(3) Paragraph 2 of subsection 1 applies to a taxation year of a trust that ends after 20 December 2002.

**210.** (1) Section 671 of the Act is replaced by the following section:

“**671.** For the purposes of this section and sections 146.1, 671.1 and 772.2 to 772.13, an amount in respect of a trust’s income for a particular taxation year of the trust from a source situated in a foreign country, is deemed to be income of a taxpayer, for the taxation year of the taxpayer in which the particular year ends, from that source if

(a) the amount is designated by the trust, in respect of the taxpayer, in the trust’s fiscal return filed under this Part for the particular year and may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, because of section 659 or paragraph *a* of section 663, was included in computing the income for that taxation year of the taxpayer;

(b) the taxpayer is in the particular year a beneficiary under the trust;

(c) the trust is, throughout the particular year, resident in Canada; and

(d) the aggregate of all amounts each of which is an amount designated, under this section in respect of that source, by the trust in respect of a beneficiary under the trust in the trust’s fiscal return filed under this Part for the particular year is not greater than the trust’s income for the particular year from that source.”

(2) Subsection 1 applies to a taxation year that ends after 27 February 2004. However, when paragraph *a* of section 671 of the Act applies before 18 July 2005, it is to be read as if “because of section 659 or paragraph *a* of section 663” was replaced by “because of section 659 or 663”.

**211.** (1) Section 677 of the Act is amended, in the second paragraph,

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

“For the purposes of this chapter, “testamentary trust”, in a taxation year, means a trust that arose upon and as a consequence of the death of an individual, including a trust referred to in section 7.4.1, but does not include”;

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

“(d) a trust that, at any time after 20 December 2002 and before the end of the taxation year, incurs a debt or any other obligation owed to, or guaranteed by, a beneficiary or any other person or partnership, which beneficiary, person or partnership is referred to in this subparagraph as the “specified party”, with whom a beneficiary under the trust does not deal at arm’s length, other than a debt or other obligation

i. incurred by the trust in satisfaction of the specified party's right as a beneficiary under the trust

(1) to enforce payment of an amount of the trust's income or capital gains payable at or before that time by the trust to the specified party, or

(2) to otherwise receive any part of the capital of the trust,

ii. owed to the specified party, if the debt or other obligation arose because of a service, not including any transfer or loan of property, rendered by the specified party to, for or on behalf of the trust, or

iii. owed to the specified party, if

(1) the debt or other obligation arose because of a payment made by the specified party for or on behalf of the trust,

(2) in exchange for the payment, the trust transfers property, the fair market value of which is not less than the principal amount of that debt or other obligation, to the specified party within 12 months after the payment was made or, if written application has been made to the Minister by the trust within that 12-month period, within any longer period that the Minister considers reasonable in the circumstances, and

(3) it is reasonable to conclude that the specified party would have been willing to make the payment if the specified party dealt at arm's length with the trust, unless the trust is the individual's succession and that payment was made within the first 12 months after the individual's death or, if written application has been made to the Minister by the succession within that 12-month period, within any longer period that the Minister considers reasonable in the circumstances."

(2) Subsection 1 applies to a taxation year that ends after 20 December 2002. However,

(1) a transfer that is required, under subparagraph 2 of subparagraph iii of subparagraph *d* of the second paragraph of section 677 of the Act, to be made within 12 months after a payment was made is deemed to be made in a timely manner if it is made no later than 12 months after 15 May 2009; and

(2) for the taxation years that end before 15 May 2009, subparagraph 3 of subparagraph iii of subparagraph *d* of the second paragraph of section 677 of the Act is to be read as if "within the first 12 months after the individual's death" was replaced by "after the individual's death and no later than 12 months after 15 May 2009".

**212.** (1) Sections 678 and 679 of the Act are repealed.

(2) Subsection 1 has effect from 21 December 2002.

**213.** Section 683 of the Act is amended by replacing “attribué” and “l’attribution” in the definition of “montant de réduction admissible” in the French text by “distribué” and “la distribution”, respectively.

**214.** Section 685 of the Act is amended by replacing “attribue” in the French text by “distribue”.

**215.** (1) Section 687 of the Act is amended by replacing “or paragraph *c* of section 785.1 or 785.2” in subparagraph ii of paragraph *b* by “; paragraph *c* of section 785.1 or subparagraph *c* of the first paragraph of section 785.2”.

(2) Subsection 1 has effect from 20 December 2006.

**216.** (1) Section 688 of the Act is amended

(1) by replacing “attribué” in the portion of the first paragraph before subparagraph *a* in the French text by “distribue”;

(2) by replacing “attribué” in the portion of subparagraph *d* of the first paragraph before subparagraph i in the French text by “distribué”;

(3) by inserting “, 540.2” after “538” in subparagraph iii of subparagraph *d.1* of the first paragraph;

(4) by replacing “attribué” in the portion of subparagraph *e* of the first paragraph before subparagraph ii in the French text by “distribué”;

(5) by replacing “75%” in subparagraph *c* of the second paragraph by “50%”.

(2) Paragraph 3 of subsection 1 applies for the purpose of determining, after 1 October 1996, whether a property is a taxable Canadian property.

(3) Paragraph 5 of subsection 1 applies in respect of a distribution made after 20 December 2002.

**217.** (1) Section 688.0.0.1 of the Act is amended

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

**“688.0.0.1.** If a trust makes a distribution of a property to a beneficiary under the trust in full or partial satisfaction of the beneficiary’s capital interest in the trust and makes a valid election under subsection 2.001 of

section 107 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the distribution of property, section 688 does not apply to the distribution if”;

(2) by replacing “l’attribution” in paragraphs *a* and *c* in the French text by “la distribution”;

(3) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2.001 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 20 December 2006. However, when section 688.0.0.1 of the Act applies before 15 May 2009, it is to be read as if “distribue” and “la distribution”, wherever the latter appears, in the portion of the first paragraph before subparagraph *a* in the French text were replaced by “attribue” and “l’attribution”, respectively.

**218.** (1) Section 688.0.0.2 of the Act is amended

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

“**688.0.0.2.** If a trust that is not resident in Canada makes a distribution of a property, other than a property described in subparagraph *b* or *c* of the first paragraph of section 688.0.0.1, to a beneficiary under the trust in full or partial satisfaction of the beneficiary’s capital interest in the trust, and the beneficiary makes a valid election under subsection 2.002 of section 107 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the distribution of property, the following rules apply:”;

(2) by replacing “l’attribution” in paragraph *a* in the French text by “la distribution”;

(3) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2.002 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 20 December 2006. However, when section 688.0.0.2 of the Act applies before 15 May 2009, it is to be read as if “distribue” and “la distribution” in the portion of the first paragraph before subparagraph *a* in the French text were replaced by “attribue” and “l’attribution”, respectively.

**219.** (1) Section 688.0.1 of the Act is amended

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

“**688.0.1.** If, at any time, a property is distributed by a personal trust to a taxpayer in circumstances in which section 688 applies, the property would, if the trust had so designated the property under section 274.0.1, be a principal residence, within the meaning of that section, of the trust for a taxation year, and the trust makes a valid election under subsection 2.01 of section 107 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the distribution of property, the following rules apply:”;

(2) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2.01 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006. However, when section 688.0.1 of the Act applies before 15 May 2009, it is to be read as if “distribue” and “la distribution” in the portion of the first paragraph before subparagraph *a* in the French text were replaced by “attribue” and “l’attribution”, respectively.

**220.** (1) Section 688.1 of the Act is amended

(1) by replacing “attribue” and “attribution” in the portion of the first paragraph before subparagraph *a* in the French text by “distribue” and “distribution”;

(2) by replacing “l’attribution” in subparagraph *c* of the first paragraph in the French text by “la distribution”;

(3) by replacing “paragraph *b* or *c* of section 688.0.0.1” in the portion of subparagraph *d* of the first paragraph before subparagraph *i* by “subparagraph *b* or *c* of the first paragraph of section 688.0.0.1”;

(4) by replacing “l’attribution” wherever it appears in the following provisions of the first paragraph in the French text by “la distribution”:

— the portion of subparagraph *iii* of subparagraph *d* before subparagraph 2;

— the portion of subparagraph *e* before subparagraph *i*;

— subparagraph *ii* of subparagraph *e*;

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

(6) by replacing “subparagraph *a*” in subparagraph ii of subparagraph *a* of the second paragraph by “this subparagraph *a*”.

(2) Paragraph 3 of subsection 1 has effect from 20 December 2006.

**221.** (1) Section 688.1.1 of the Act is replaced by the following section:

**“688.1.1.** If a trust makes one or more distributions of property in a taxation year in circumstances in which section 688.1 applies or, in the case of distributions made after 1 October 1996 and before 1 January 2000, in circumstances in which section 692 applied, the following rules apply:

(a) where the trust is resident in Canada at the time of each of those distributions, the income of the trust for the year, determined without reference to paragraph *a* of section 657, is to be computed, for the purposes of that paragraph *a* and section 663, without regard to all of those distributions to persons not resident in Canada, including a partnership other than a Canadian partnership, if the trust makes a valid election under paragraph *a* of subsection 2.11 of section 107 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 that applies in relation to all of those distributions; and

(b) where the trust is resident in Canada at the time of each of those distributions, the income of the trust for the year, determined without reference to paragraph *a* of section 657, is to be computed, for the purposes of that paragraph *a* and section 663, without regard to all of those distributions, if the trust makes a valid election under paragraph *b* of subsection 2.11 of section 107 of the Income Tax Act after 19 December 2006 that applies in relation to all of those distributions.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *a* or *b* of subsection 2.11 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006. However, when section 688.1.1 of the Act applies before 15 May 2009, it is to be read by replacing

(1) “distributions” and “distribution” in the portion of the first paragraph before subparagraph *a* in the French text by “attributions” and “attribution”, respectively; and

(2) “ces distributions” and “de distributions” wherever they appear in subparagraphs *a* and *b* of the first paragraph in the French text by “ces attributions” and “d’attributions”, respectively.

**222.** Section 688.2 of the Act is amended by replacing “attribue” and “l’attribution” in the portion of the first paragraph before subparagraph *a* in the French text by “distribuée” and “la distribution”, respectively.

**223.** Section 690 of the Act is amended by replacing subparagraph *a* of the first paragraph in the French text by the following subparagraph:

“*a*) lorsque la fiducie distribuée au contribuable une somme d’argent ou un autre bien en contrepartie de la totalité ou de la partie de sa participation au capital, l’ensemble des montants suivants :

i. la somme d’argent ainsi distribuée;

ii. l’ensemble des montants dont chacun est égal au coût indiqué d’un tel autre bien pour la fiducie, immédiatement avant cette distribution;”.

**224.** Section 690.1 of the Act is amended, in the French text,

(1) by replacing “attribue” in the portion before paragraph *a* by “distribuée”;

(2) by replacing “attribué” in the portion of paragraph *d* before subparagraph *i* by “distribué”.

**225.** Section 690.2 of the Act is amended, in the French text,

(1) by replacing “attribue” in the portion before paragraph *a* by “distribuée”;

(2) by replacing “attribué” in the portion of paragraph *d* before subparagraph *i* by “distribué”.

**226.** Section 690.3 of the Act is amended, in the French text,

(1) by replacing “attribue” in the portion before paragraph *a* by “distribuée”;

(2) by replacing “est réputée verser et attribuer au contribuable” in paragraph *b* by “est réputée verser au contribuable, au titre d’une distribution;”;

(3) by replacing “attribué” in the portion of paragraph *e* before subparagraph *i* by “distribué”.

**227.** Section 691 of the Act is amended, in the French text,

(1) by replacing “attribué” in the portion before paragraph *a* by “distribué”;

(2) by replacing “l’attribution” in paragraph *b* by “la distribution”.



**228.** Section 691.1 of the Act is amended, in the French text,

- (1) by replacing “attribue” in the portion before paragraph *a* by “distribue”;
- (2) by replacing “l’attribution” in the following provisions by “la distribution”:
  - paragraph *a*;
  - subparagraph ii of paragraph *b*;
  - paragraph *d*.

**229.** (1) The Act is amended by inserting the following section after section 691.1:

**“691.2.** Despite section 688, the rules set out in section 688.1 apply at any time to property distributed after 20 December 2002 to a beneficiary by a personal trust or a trust prescribed for the purposes of section 688, if

(*a*) at a particular time before 21 December 2002 there was a qualifying disposition, within the meaning assigned by section 692.5, of the property, or of other property for which the property is substituted, by a particular partnership or a particular corporation to a trust; and

(*b*) the beneficiary is neither the particular partnership nor the particular corporation.”

(2) Subsection 1 applies in respect of a distribution made after 20 December 2002.

**230.** (1) Section 692 of the Act is amended

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

**“692.** Despite section 688, the rules set out in section 688.1 apply if a property, other than a property referred to in the second paragraph, is distributed by a trust to a taxpayer not resident in Canada, including a partnership other than a Canadian partnership, as consideration for all or part of the taxpayer’s capital interest in the trust.”;

- (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”;

- (3) by replacing “paragraph *b* of section 785.2” in subparagraph *b* of the second paragraph by “subparagraph *b* of the first paragraph of section 785.2”.

(2) Paragraph 1 of subsection 1 applies in respect of a distribution made after 27 February 2004. However, when section 692 of the Act applies before 15 May 2009, it is to be read as if “distribue” in the first paragraph in the French text was replaced by “attribue”.

(3) Paragraph 3 of subsection 1 has effect from 20 December 2006.

**231.** Section 692.0.1 of the Act is amended by replacing “attribution” in the following provisions in the French text by “distribution”:

— the portion before paragraph *a*;

— paragraph *b*.

**232.** (1) Section 692.5 of the Act is amended

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

“**692.5.** In this chapter, “qualifying disposition” means a disposition of property made by a person or partnership before 21 December 2002 and a disposition of property made by an individual after 20 December 2002, the person, partnership or individual being in this section referred to as the “contributor”, as a result of a transfer of the property to a particular trust if”;

(2) by inserting “427.4,” after “422 to 424,” in paragraph *b*;

(3) by replacing paragraph *c* by the following paragraph:

“(c) the particular trust is resident in Canada at the time of the transfer;”;

(4) by striking out paragraph *d*;

(5) by replacing “attribution” wherever it appears in subparagraphs ii and iii of paragraph *g* in the French text by “distribution”.

(2) Paragraphs 1 and 4 of subsection 1 have effect from 20 December 2002.

(3) Paragraph 3 of subsection 1 applies in respect of a disposition made after 27 February 2004.

**233.** (1) Section 692.8 of the Act is amended

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

“i. where the transferor makes a valid election under subparagraph i of paragraph *a* of subsection 3 of section 107.4 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006

in relation to the disposition, the greater of the cost amount to the transferor of the property immediately before the particular time and the amount specified in respect of the property in the election in accordance with that subparagraph i, and”;

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

“(e) if the property was deemed to be taxable Canadian property of the transferor under this subparagraph, subparagraph *c* of the first paragraph of section 280.6, subparagraph *d* of the first paragraph of section 301, any of sections 521, 538, 540.2 and 554, subparagraph *c* of the second paragraph of section 614 or subparagraph *d.1* of the first paragraph of section 688, the property is deemed to be taxable Canadian property of the transferee trust;”;

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

“Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph i of paragraph *a* of subsection 3 of section 107.4 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 20 December 2006.

(3) Paragraph 2 of subsection 1 applies

(1) in respect of a disposition made after 23 December 1998; and

(2) in relation to the 1996 and subsequent taxation years, in respect of a transfer of capital property that occurred before 24 December 1998.

**234.** (1) Section 694.0.0.1 of the Act is amended by adding the following paragraphs:

“Despite the first paragraph, the individual is not required to include, in computing taxable income, if the individual so elects, the portion of the amount referred to in the first paragraph that relates to one or more preceding taxation years that are eligible taxation years of the individual if the portion is not less than \$300.

“For the purposes of the second paragraph, “eligible taxation year” of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt.”

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

**235.** (1) The Act is amended by inserting the following section after section 694.0.0.1:

**“694.0.0.2.** For the purposes of the first paragraph of section 694.0.0.1, if an individual has a spouse at the end of 31 December of a taxation year and the individual or the spouse became a bankrupt in the year, section 779 does not apply for the purpose of determining the individual’s or the spouse’s income for the year.”

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

**236.** (1) Section 710 of the Act is amended

(1) by replacing “the fair market value of a gift, other than a gift the fair market value of which is included” in the portion of paragraph *a* before subparagraph *i* by “the eligible amount of a gift, other than a gift the eligible amount of which is included”;

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

“v.0.1. a municipal or public body performing a function of government in Canada,”;

(3) by replacing “the fair market value of a gift, other than a gift the fair market value of which is included” in paragraph *b* by “the eligible amount of a gift, other than a gift the eligible amount of which is included”;

(4) by replacing “the fair market value, as certified by the Minister of the Environment, of a gift the object of which is any of the properties described in section 710.0.1, other than a gift the fair market value of which is included” in the portion of paragraph *c* before subparagraph *i* by “the eligible amount of a gift the fair market value of which is certified by the Minister of Sustainable Development, Environment and Parks and the object of which is any of the properties described in section 710.0.1, other than a gift the eligible amount of which is included”;

(5) by inserting the following subparagraph after subparagraph 2 of subparagraph *i* of paragraph *c*:

“(2.1) a municipal or public body performing a function of government in Québec, or”;

(6) by replacing “any other public body exercising government functions; and” in subparagraph 2 of subparagraph *ii* of paragraph *c* by “a municipal or public body performing a function of government;”;

(7) by replacing the portion of paragraph *d* before subparagraph *i* by the following:

“(d) the aggregate of all amounts each of which is the eligible amount of a gift, other than a gift the eligible amount of which is included in the aggregate described in paragraph e, made by the corporation in the year, in any of the five preceding taxation years, if the gift was made in a taxation year that ended before 24 March 2006, or in any of the 20 preceding taxation years, if the gift is made in a taxation year that ends after 23 March 2006, to”;

(8) by replacing “the fair market value” in the portion of paragraph e before subparagraph i by “the eligible amount”.

(2) Paragraphs 1, 3, 4 and 7 of subsection 1 apply in respect of a gift made after 20 December 2002. However,

(1) when the portion of paragraph c of section 710 of the Act before subparagraph i applies before 19 April 2006, it is to be read as if “Minister of Sustainable Development, Environment and Parks” was replaced by “Minister of the Environment”; and

(2) when the portion of paragraph d of section 710 of the Act before subparagraph i applies in respect of a gift made before 24 March 2006, it is to be read as follows:

“(d) the aggregate of all amounts each of which is the eligible amount of a gift made by the corporation in the year or in any of the five preceding taxation years to”.

(3) Paragraph 2 of subsection 1 applies in respect of a gift made after 8 May 2000.

(4) Paragraphs 5 and 6 of subsection 1 apply in respect of a gift made after 5 July 2001. In addition, when paragraph c of section 710 of the Act applies in respect of a gift made after 8 May 2000 and before 6 July 2001, it is to be read as if the following subparagraph was inserted after subparagraph ii:

“ii.1. a municipal or public body performing a function of government in Québec;”.

(5) Paragraph 8 of subsection 1 applies in respect of a gift made after 23 March 2006.

**237.** (1) Section 711 of the Act is amended, in the second paragraph,

(1) by replacing subparagraph b by the following subparagraph:

“(b) B is the aggregate of all amounts each of which is equal to that proportion of the corporation’s taxable capital gain for the year in respect of a gift made by the corporation in the year and in respect of which gift an eligible amount is described in paragraph a of section 710 for the year, that the eligible amount of the gift is of the corporation’s proceeds of disposition in respect of the gift;”;

(2) by replacing subparagraph ii of subparagraph *d* by the following subparagraph:

“ii. the aggregate of the amounts determined in respect of a disposition that is the making of a gift of a property of the class by the corporation in the year and in respect of which gift an eligible amount is described in paragraph *a* of section 710 for the year, each of which is equal to the lesser of

(1) that proportion of the amount by which the proceeds of disposition of the property exceed any outlays made or expenses incurred by the corporation for the purpose of making the disposition, that the eligible amount of the gift is of the corporation’s proceeds of disposition in respect of the gift, and

(2) that proportion of the capital cost to the corporation of the property that the eligible amount of the gift is of the corporation’s proceeds of disposition in respect of the gift.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**238.** (1) Section 714 of the Act is amended by replacing “any gift made in the name of the partnership is deemed a gift” by “the eligible amount of a gift made in the name of the partnership is deemed to be the eligible amount of a gift”.

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**239.** (1) Section 714.2 of the Act is replaced by the following section:

“**714.2.** If, at any given time, a corporation makes a gift of a work of art referred to in section 714.1 to a donee referred to in that section, the lesser of the amount that may reasonably be considered as the consideration for the disposition by the donee of the work of art and its fair market value at the time of the disposition, is deemed, for the purposes of section 710, to be the fair market value for the purpose of computing the eligible amount of the gift at the given time and, for the purposes of section 716, to be the fair market value of the capital property at the given time.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**240.** (1) Section 716 of the Act is replaced by the following section:

“**716.** The rule set out in the second paragraph applies if, at any time, a corporation makes a gift of a capital property to a donee referred to in any of paragraphs *a* to *c* of section 710 or, if the corporation is not resident in Canada, a gift of an immovable property situated in Canada to a prescribed donee who provides an undertaking, in a form satisfactory to the Minister, to the effect that the property will be held for use in the public interest, the corporation designates, after 19 December 2006 and in accordance with subsection 3 of section 110.1 of the Income Tax Act (Revised Statutes of

Canada, 1985, chapter 1, 5th Supplement), an amount in respect of the gift, and, at that time, the fair market value of the capital property or immovable property exceeds

(a) in the case of a depreciable property of a prescribed class, the lesser of the undepreciated capital cost of that class at the end of the taxation year of the corporation that includes that time, determined without reference to the proceeds of disposition determined in respect of the property under the second paragraph, and the adjusted cost base to the corporation of the property immediately before that time; and

(b) in any other case, the adjusted cost base to the corporation of the capital property or immovable property immediately before that time.

The lesser of the fair market value of the capital property or immovable property otherwise determined and the greatest of the following amounts, is deemed to be both the corporation's proceeds of disposition of the capital property or immovable property and, for the purposes of section 7.21, the fair market value of the gift:

(a) in the case of a gift made after 20 December 2002, the amount of the advantage in respect of the gift;

(b) the amount determined under subparagraph *a* or *b* of the first paragraph in respect of the capital property or immovable property; and

(c) the amount designated in respect of the gift in accordance with subsection 3 of section 110.1 of the Income Tax Act.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 3 of section 110.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.”

(2) Subsection 1 applies in respect of a gift made after 31 December 1999. However, when section 716 of the Act applies before 20 December 2006, it is to be read

(1) as if the portion of the first paragraph before subparagraph *a* was replaced by the following:

**“716.** The rule set out in the second paragraph applies if, at any time, a corporation makes a gift of a capital property to a donee referred to in any of paragraphs *a* to *c* of section 710 or, if the corporation is not resident in Canada, a gift of an immovable property situated in Canada to a prescribed donee who provides an undertaking, in a form satisfactory to the Minister, to the effect that the property will be held for use in the public interest, the corporation designates an amount in respect of the gift in the fiscal return it is required to file under section 1000 for the year in which the gift is made, and, at that time, the fair market value of the capital property or immovable property exceeds”;

(2) as if, subject to subsection 3, the portion of the second paragraph before subparagraph *a* was replaced by the following:

“The designated amount is deemed to be both the corporation’s proceeds of disposition of the capital property or immovable property and, for the purposes of section 7.21, the fair market value of the gift, but the designated amount may not exceed the fair market value of the capital property or immovable property otherwise determined and may not be less than the greater of”; and

(3) without reference to subparagraph *c* of the second paragraph and the third paragraph.

(3) When section 716 of the Act applies in respect of a gift made after 31 December 1999 and before 21 December 2002, it is to be read as if “7.21” in the portion of the second paragraph before subparagraph *a* was replaced by “710”.

**241.** (1) Section 716.0.1.1 of the Act is amended by replacing “the amount of the fair market value of that gift” by “the eligible amount of that gift”.

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**242.** (1) Section 725.7.1 of the Act is replaced by the following section:

**“725.7.1.** An individual may deduct, in computing taxable income for a taxation year, the aggregate of all amounts each of which is an amount paid in the year as a reimbursement, under the Universal Child Care Benefit Act, enacted by section 168 of the Budget Implementation Act, 2006 (Statutes of Canada, 2006, chapter 4), of an amount that was included in computing taxable income for the year or a preceding taxation year under the first paragraph of section 694.0.0.1 or that would have been so included for the year or a preceding taxation year had the individual not made an election under the second paragraph of that section.”

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

**243.** (1) Section 726.6.1 of the Act is amended by inserting the following subparagraph after subparagraph *g* of the second paragraph:

“(g.1) a person who is a member of a partnership that is a member of another partnership is deemed to be a member of the other partnership;”.

(2) Subsection 1 applies in respect of a disposition made after 20 December 2002 and, if a taxpayer so elects in writing and files the election with the Minister of Revenue on or before the taxpayer’s filing due-date, within the meaning of section 1 of the Act, for the taxpayer’s taxation year that includes 15 May 2009, in respect of a disposition made after 31 December 1999.



**244.** (1) Section 726.7 of the Act is amended by adding the following paragraph after the third paragraph:

“Sections 21.4.6 and 21.4.7 apply, with the necessary modifications, in relation to a claim for a deduction made under section 110.6 of the Income Tax Act in respect of qualified farm properties.”

(2) Subsection 1 applies 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.

**245.** (1) Section 726.7.1 of the Act is amended

(1) by replacing “paragraph *d* of section 726.7.2” in paragraph *d* by “subparagraph *d* of the first paragraph of section 726.7.2”;

(2) by adding the following paragraph:

“Sections 21.4.6 and 21.4.7 apply, with the necessary modifications, in relation to a claim for a deduction made under section 110.6 of the Income Tax Act in respect of qualified small business corporation shares.”

(2) Paragraph 1 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 (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or under section 726.7.2 of the Taxation Act.

(3) Paragraph 2 of subsection 1 applies 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 or under section 726.7.1 of the Taxation Act.

**246.** (1) Section 726.7.2 of the Act is amended by adding the following paragraph:

“Sections 21.4.6 and 21.4.7 apply, with the necessary modifications, in relation to a claim for a deduction made under section 110.6 of the Income Tax Act in respect of qualified fishing properties.”

(2) 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 (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or under section 726.7.2 of the Taxation Act.

**247.** (1) Section 729.1 of the Act is amended by adding the following subparagraph after subparagraph *b* of the first paragraph:

“(c) the amount that the Minister determines to be reasonable in the circumstances, after considering the application of sections 668.7, 851.16.2, 1106 and 1113 to the taxpayer for the particular taxation year.”

(2) Subsection 1 applies from the taxation year 2000.

**248.** (1) Section 733.0.6 of the Act is amended

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

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

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

“In the formula in the second paragraph,

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

(b) *B* is the corporation’s reduction factor for the year, within the meaning assigned by the first paragraph of section 737.18.18.”

(2) Subsection 1 applies to a taxation year that ends after 31 December 2007. However, when section 733.0.6 of the Act applies to a taxation year that includes that date, it is to be read

(1) as if the formula in the second paragraph was replaced by the following formula:

“ $\{[1 - (A/\$10,000,000)] \times B\} + \{[1 - (A/\$10,000,000)] \times C \times (1 - D)\}$ .”; and

(2) as if the third paragraph was replaced by the following paragraph:

“In the formula in the second paragraph,

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

(b) *B* is the product obtained by multiplying 75% by the proportion that the number of days in the year that precede 1 January 2008 is of the number of days in the year;

(c) C is the product obtained by multiplying 75% by the proportion that the number of days in the year that follow 31 December 2007 is of the number of days in the year; and

(d) D is the corporation's reduction factor for the year, within the meaning assigned by the first paragraph of section 737.18.18."

**249.** (1) Section 736 of the Act is amended

(1) by replacing "of the property" in subparagraph *a* of the second paragraph by "of the capital property";

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

"(c) each capital property that is owned by the corporation immediately before that time (other than a property in respect of which an amount would, but for this subparagraph, be required under subparagraph *a* to be deducted in computing its adjusted cost base to the corporation or a depreciable property of a prescribed class to which, but for this subparagraph, paragraph *a* of section 736.0.2 would apply) and that the corporation designates after 19 December 2006 in accordance with paragraph *e* of subsection 4 of section 111 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in relation to the acquisition of control of the corporation, is deemed to have been disposed of by the corporation immediately before the time that is immediately before that time for proceeds of disposition equal to the lesser of the fair market value of the capital property immediately before that time and the greater of the adjusted cost base to the corporation of the capital property immediately before the disposition and the amount designated by the corporation after 19 December 2006, in relation to the acquisition of control of the corporation, in accordance with that paragraph *e* in respect of the capital property, and is deemed, subject to the third paragraph, to have been reacquired by it at that time at a cost equal to those proceeds of disposition;"

(3) by replacing "aux fins" and "réputé être" in subparagraph *d* of the second paragraph in the French text by "pour l'application" and "réputé", respectively;

(4) by replacing, in the French text, "aux fins" in the portion of the third paragraph before subparagraph *a* by "pour l'application", and "adoptés" in that portion of the third paragraph and in subparagraph *b* of that paragraph by "édictés";

(5) by adding the following paragraphs after the third paragraph:

"For the purposes of subparagraph *c* of the second paragraph, the corporation is deemed to have designated a particular capital property, as well as an amount in its respect, after 19 December 2006 in accordance with paragraph *e* of subsection 4 of section 111 of the Income Tax Act in relation to the

acquisition of control of the corporation, or to have designated after that date, in relation to the acquisition of control, in accordance with that paragraph *e* in respect of a particular capital property, a particular amount different from that designated by the corporation after that date, in relation to the acquisition of control, in accordance with that paragraph *e* in its respect, if

(a) the corporation files an application with the Minister in that respect, in a document containing information that is satisfactory to the Minister, on or before the day that is 90 days after the day on which a notice of assessment of tax payable for the taxation year that ended immediately before that time or notification that no tax is payable for the year is sent to the corporation;

(b) it may reasonably be considered that the corporation's designation regarding the particular capital property and the amount in its respect, or the change made to the amount designated in respect of the particular capital property, as the case may be, is justified only because of a difference between tax attributes, in particular the adjusted cost base of the particular capital property or the undeducted balance of a deductible loss, for the purposes of Part I of the Income Tax Act and the corresponding tax attributes for the purposes of this Part; and

(c) the Minister is of the opinion that the tax consequences of the application are consistent with the objectives of subparagraph *c* of the second paragraph, and grants the application.

“Chapter V.2 of Title II of Book I applies in relation to a designation made under paragraph *e* of subsection 4 of section 111 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.”

(2) Paragraphs 2 and 5 of subsection 1 have effect from 20 December 2006. In addition, the application described in subparagraph *a* of the fourth paragraph of section 736 of the Act is deemed to be filed with the Minister of Revenue within the time provided for in that subparagraph *a* if it is filed with the Minister of Revenue before 13 August 2009.

**250.** Section 737.14 of the Act is amended by replacing “opère” wherever it appears in the French text by “exploite”.

**251.** Section 737.17 of the Act is amended by replacing “opère” wherever it appears in the French text by “exploite”.

**252.** (1) Section 737.18.10 of the Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of the first paragraph, the following rules apply:

(a) if the individual is a member of a partnership in a taxation year, the individual's share of the income or loss of the partnership for a fiscal period that ended in the year must be considered to be earned or sustained during the

part of the year referred to in that paragraph if the fiscal period ends in that part of the year, and to be earned or sustained during another part of the year if the fiscal period ends in that other part of the year; and

(b) if the individual includes an amount in computing the individual's income for a taxation year under section 313.11, the amount must be considered to be income earned by the individual on the last day of that year."

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

**253.** (1) Section 737.18.14 of the Act is amended, in the first paragraph,

(1) by inserting “, subject to section 737.18.16.1,” after “means” in the definition of “eligible activities”;

(2) by replacing “in relation to the activities carried on in the course of the business” in the definition of “recognized business” by “in relation to the eligible activities carried on in the course of carrying on the business”.

(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 29 June 2006.

**254.** (1) The Act is amended by inserting the following section after section 737.18.16:

**“737.18.16.1.** Subject to section 737.18.16, if, at a particular time, the activities carried on in Québec by a person or partnership in relation to a business diminish or cease and it may reasonably be considered that, as a result, a corporation or another partnership begins, after the particular time, to carry on similar activities in the course of carrying on a recognized business, in relation to a major investment project, or increases the scope of similar activities carried on in the course of carrying on such a business, those activities or portions of activities are deemed not to be eligible activities of the corporation or of the other partnership carried on in the course of carrying on a recognized business, in relation to the major investment project.”

(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 29 June 2006.

**255.** (1) Section 737.18.18 of the Act is amended by inserting the following definition in alphabetical order in the first paragraph:

““reduction factor” of a qualified corporation for a taxation year means the reduction factor specified in the qualification certificate issued by Investissement Québec to the qualified corporation for the year for the purposes of this Title or, in the absence of such a specification, zero;”

(2) Subsection 1 applies to a taxation year that ends after 31 December 2007.

**256.** (1) Section 737.18.26 of the Act is amended

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

“ $[75\% \times (A - B)] \times \{1 - [(C - \$20,000,000)/\$10,000,000]\} \times (1 - D)$ .”;

(2) by adding the following subparagraph after subparagraph *c* of the second paragraph:

“(d) *D* is the corporation’s reduction factor for the year.”;

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

“(a) it encloses the prescribed form containing prescribed information and a copy of the qualification certificate issued to it for the year by Investissement Québec for the purposes of this Title with the fiscal return it is required to file for the year under section 1000; and”.

(2) Subsection 1 applies to a taxation year that ends after 31 December 2007. However, when section 737.18.26 of the Act applies to a taxation year that includes that date, it is to be read

(1) as if the formula in the first paragraph was replaced by the following formula:

“ $\{[(A - B) \times C] + [(A - B) \times D \times (1 - E)]\} \times [1 - (F/\$10,000,000)]$ .”;

(2) as if subparagraphs *c* and *d* of the second paragraph were replaced by the following subparagraphs:

“(c) *C* is the product obtained by multiplying 75% by the proportion that the number of days in the year that precede 1 January 2008 is of the number of days in the year;

“(d) *D* is the product obtained by multiplying 75% by the proportion that the number of days in the year that follow 31 December 2007 is of the number of days in the year;” and

(3) as if the following subparagraphs were added after subparagraph *d* of the second paragraph:

“(e) *E* is the corporation’s reduction factor for the year; and

“(f) *F* is the amount by which the greater of \$20,000,000 and the paid-up capital attributed to the corporation for the year, determined in accordance with section 737.18.24, exceeds \$20,000,000.”

**257.** (1) Section 737.18.34 of the Act is amended by replacing the third paragraph by the following paragraph:

“For the purposes of subparagraph *b* of the second paragraph, the following rules apply:

(*a*) if the individual is a member of a partnership in a taxation year, the individual’s share of the income or loss of the partnership for a fiscal period that ended in the year must be considered to be earned or sustained during the part of the year referred to in that subparagraph *b* if the fiscal period ends in that part of the year, and to be earned or sustained during another part of the year if the fiscal period ends in that other part of the year; and

(*b*) if the individual includes an amount in computing the individual’s income for a taxation year under section 313.11, the amount must be considered to be income earned by the individual on the last day of that year.”

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

**258.** (1) Section 750 of the Act is amended

(1) by replacing “\$27,635” in paragraph *a* by “\$37,500”;

(2) by replacing “\$55,280” and “\$27,635” in paragraph *b* by “\$75,000” and “\$37,500”, respectively;

(3) by replacing “\$55,280” in paragraph *c* by “\$75,000”.

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

**259.** (1) Section 750.1 of the Act is amended, in the portion before paragraph *a*, by inserting “752.0.18.13.1,” after “752.0.18.10,” and by inserting “, 776.41.14, 776.41.21” after “770”.

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

**260.** (1) Section 750.2 of the Act is amended

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

“**750.2.** Each of the amounts referred to in the fourth paragraph that must be used for a taxation year subsequent to the taxation year 2007 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 so used by the factor determined by the formula”;

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

“If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.”;

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

“The amounts to which the first paragraph refers are

(a) the amounts of \$37,500 and \$75,000, wherever they are mentioned in section 750;

(b) the amount of \$10,215 mentioned in section 752.0.0.1;

(c) the amounts of \$1,860 and \$2,705 mentioned in section 752.0.1;

(d) the amount of \$29,290 mentioned in section 752.0.7.1;

(e) the amounts of \$1,180 and \$1,465, wherever they are mentioned in section 752.0.7.4;

(f) the amount of \$2,295 mentioned in section 752.0.14; and

(g) the amounts of \$6,650 and \$1,860, wherever they are mentioned in section 776.41.14.”;

(4) by striking out the fourth paragraph.

(2) Subsection 1 applies from the taxation year 2008. However, when section 750.2 of the Act applies to the taxation year 2008, it is to be read without reference to subparagraphs *a* and *b* of the fourth paragraph.

(3) In addition, when section 750.2 of the Act applies to the taxation year 2007, it is to be read without reference to subparagraphs *c* to *f* of the third paragraph.

**261.** (1) Section 752.0.0.1 of the Act is amended

(1) by replacing “the total of \$6,275 and the complementary amount for the year” in the first paragraph by “\$10,215”;

(2) by striking out the second paragraph.

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

**262.** (1) Section 752.0.0.2 of the Act is repealed.

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



**263.** (1) Section 752.0.0.3 of the Act is amended

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

“**752.0.0.3.** If an individual is resident in Québec on the last day of a taxation year and is the beneficiary of a covered benefit attributable to that year, the amount in dollars referred to in section 752.0.0.1 that would otherwise be taken into account in computing the amount deductible by the individual for the year under section 752.0.0.1, with reference to section 750.2, is to be reduced by the aggregate of all amounts each of which is an amount determined for the year under any of sections 752.0.0.4 to 752.0.0.6.”;

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

“For the purposes of the first paragraph, if an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual’s taxation year is the day on which the individual died or the last day on which the individual was resident in Canada.”

(2) Subsection 1 applies from the taxation year 2008. However, when the first paragraph of section 752.0.0.3 of the Act applies to the taxation year 2008, it is to be read without reference to “, with reference to section 750.2”.

**264.** (1) Section 752.0.0.4 of the Act is amended

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

“(j) *J* is the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Commission de la santé et de la sécurité du travail to establish the weighted net income for the purpose of computing, for the particular day, the covered benefit attributable to the year; and”;

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

“For the purposes of subparagraph *ii* of subparagraph *k* of the second paragraph, “recognized amounts used to establish the weighted net income from a suitable employment or employment held”, for a particular day, means the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Commission de la santé et de la sécurité du travail to establish the weighted net income from a suitable employment or employment held, for the particular day.”

(2) Subsection 1 applies from the taxation year 2008. However, when subparagraph *j* of the second paragraph and the fourth paragraph of section 752.0.0.4 of the Act apply to the taxation year 2008, they are to be read without reference to “, with reference to section 750.2”.

**265.** (1) Section 752.0.0.5 of the Act is amended

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

“(*h*) *H* is the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Société de l’assurance automobile du Québec to establish the weighted net income for the purpose of computing, for the particular day, the covered benefit attributable to the year; and”;

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

“For the purposes of subparagraph ii of subparagraph *i* of the second paragraph, “recognized amounts used to establish the weighted net income from a suitable employment or employment held”, for a particular day, means the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Société de l’assurance automobile du Québec to establish the weighted net income from a suitable employment or employment held, for the particular day.”

(2) Subsection 1 applies from the taxation year 2008. However, when subparagraph *h* of the second paragraph and the fourth paragraph of section 752.0.0.5 of the Act apply to the taxation year 2008, they are to be read without reference to “, with reference to section 750.2”.

**266.** (1) Section 752.0.0.6 of the Act is amended

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

“**752.0.0.6.** If section 752.0.0.3 applies to an individual in respect of a covered benefit attributable to a taxation year and the amount of which is determined by an entity, other than the Commission de la santé et de la sécurité du travail and the Société de l’assurance automobile du Québec, there must be included in computing, for that year, the aggregate referred to in the first paragraph of section 752.0.0.3, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined (in this section referred to as the “particular day”), equal to the lesser of the amounts determined for the particular day by the following formulas:

(a)  $\{[(A \times B \times C/D) - (A \times E \times F/D)] \times (1 - G)\} - H/D$ ; and

(b)  $\{[(B \times I/D) - J] \times (1 - G)\} - H/D$ .”;

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

“(b) B is the percentage that applies to the income insured by the public compensation plan for the purpose of determining, for the particular day, the covered benefit attributable to the year;

“(c) C is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;”;

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

“(e) E is,

i. if only a portion of the income, other than the recognized income on the date of the event giving rise to the covered benefit attributable to the year, is taken into consideration for the purpose of determining, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that income, and

ii. in any other case, 100%;”;

(4) by adding the following subparagraphs after subparagraph *e* of the second paragraph:

“(f) F is the annual gross revenue from a suitable employment or employment held, for the particular day;

“(g) G is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

“(h) H is the amount obtained by multiplying the percentage determined for the year under subparagraph *a* by the amount that is, in determining, for the particular day, the covered benefit attributable to the year, used to reduce the amount of that covered benefit;

“(i) I is,

i. if the taxation year is the year 2005, \$9,330,

ii. if the taxation year is the year 2006, \$9,555,

iii. if the taxation year is the year 2007, \$9,745,

iv. if the taxation year is the year 2008, \$10,215, and

v. if the taxation year is the year 2009 or a subsequent year, the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2; and

“(j) J is the lesser of

i. the amount obtained by multiplying the percentage determined for the year under subparagraph *a* by the amount obtained by multiplying the percentage determined for the year under subparagraph *e* by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by multiplying the percentage determined for the year under subparagraph *e* by the amount obtained by dividing the amount determined for the year under subparagraph *i* by the number of days in the year.”;

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

“For the purposes of subparagraph *f* and subparagraph *i* of subparagraph *j* of the second paragraph, “annual gross revenue from a suitable employment or employment held”, for a particular day, means the annual gross revenue relating to a suitable employment or employment held, including any other amount that replaces work income, that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.”

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

**267.** (1) Section 752.0.1 of the Act is amended

(1) by striking out paragraphs *b* and *c*;

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

“(d) for each person who is under 18 years of age throughout the year and who is a child of the individual if the person is a dependant of the individual in the year and if the person is not a person in respect of whom the individual’s eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, deducts an amount under section 776.41.5 from the eligible spouse’s tax otherwise payable for the year under this Part, \$1,860 in respect of each

completed term, without exceeding two, which began in the year and during which the person was in full-time attendance at an educational institution designated by the Minister of Education, Recreation and Sports for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses (chapter A-13.3), where the person was enrolled in an educational program referred to in section 752.0.2.1; and”;

(3) by striking out paragraph *e*;

(4) by replacing “\$2,550” in the portion of paragraph *f* before subparagraph *i* by “\$2,705”;

(5) by replacing subparagraph *v* of paragraph *f* by the following subparagraph:

“*v.* is not a person in respect of whom

(1) the individual’s eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, deducts an amount under section 776.41.5 from the eligible spouse’s tax otherwise payable for the year under this Part, or

(2) an individual deducts an amount under section 776.41.14 from the individual’s tax otherwise payable for the year under this Part;”.

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

**268.** (1) Section 752.0.1.1 of the Act is replaced by the following section:

“**752.0.1.1.** If, for the purpose of establishing the amount that an individual may deduct from the individual’s tax otherwise payable for a taxation year under section 752.0.1, the individual includes, in the aggregate referred to in that section, an amount under paragraph *f* of that section in respect of a person who reaches 18 years of age in the year, the amount that would otherwise be applicable for the year under that paragraph is to be replaced by the proportion of that amount that the number of months in the year that follow the month in which that person reaches 18 years of age is of 12.”

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

**269.** (1) Section 752.0.1.2 of the Act is repealed.

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

**270.** (1) Section 752.0.2 of the Act is replaced by the following section:

**“752.0.2.** The amount to which an individual is entitled under section 752.0.1 in respect of one person for a taxation year must be reduced by an amount equal to 80% of the amount that is the person’s income for the year under this Part or, if the person was not resident in Canada throughout the year, that would be the person’s income for the year under this Part, computed as if the person had been resident in Québec and in Canada throughout the year or, if the person died in the year, throughout the period of the year preceding the time of death.

For the purposes of the first paragraph, the income of a person for a taxation year under this Part must be computed without reference to paragraph *g* of section 312 and Chapter VII.1 of Title VI of Book III.”

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

**271.** (1) Section 752.0.4 of the Act is repealed.

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

**272.** (1) Section 752.0.5.2 of the Act is repealed.

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

**273.** (1) Section 752.0.7 of the Act is amended by replacing “752.0.5.2” wherever it appears in the portion before paragraph *b* by “752.0.3”.

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

**274.** (1) Section 752.0.7.1 of the Act is amended by replacing “\$27,635” in the definition of “family income” by “\$29,290”.

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

**275.** (1) Section 752.0.7.4 of the Act is amended

(1) by replacing “\$1,115” in the portion of subparagraph *i* of paragraph *a* before subparagraph 2 by “\$1,180”;

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

“(2) the individual ordinarily lives, throughout the year or, if the individual dies in the year, throughout the period of the year before the time of death, in a self-contained domestic establishment maintained by the individual and in which no person, other than the individual, a person under 18 years of age or a person of whom the individual is the father or mother and who is an eligible

student for the year, within the meaning of section 776.41.12, lives during the year or, if the individual dies in the year, during the period of the year before the time of death, and”;

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

“i.1. \$1,465, if the individual complies with the conditions set out in subparagraphs 2 and 3 of subparagraph i and

(1) the individual lives in the year with an eligible student referred to in subparagraph 2 of subparagraph i, and

(2) at the end of the year or on the date of the individual’s death, the individual has no child in respect of whom the individual is entitled to an amount deemed under section 1029.8.61.18, for the last month of the year, to be an overpayment of the individual’s tax payable;”;

(4) by replacing “\$1,000” in subparagraph ii of paragraph *a* by “\$1,500”;

(5) by replacing “\$1,115” in the portion of subparagraph i of paragraph *b* before subparagraph 2 by “\$1,180”;

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

“(2) the eligible spouse ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by the eligible spouse and in which no person, other than the eligible spouse, a person under 18 years of age or a person of whom the eligible spouse is the father or mother and who is an eligible student for the year, within the meaning of section 776.41.12, lives during the year, and”;

(7) by inserting the following subparagraph after subparagraph i of paragraph *b*:

“i.1. \$1,465, if the eligible spouse complies with the conditions set out in subparagraphs 2 and 3 of subparagraph i and

(1) the eligible spouse lives in the year with an eligible student referred to in subparagraph 2 of subparagraph i, and

(2) at the end of the year or on the date of the eligible spouse’s death, the eligible spouse has no child in respect of whom the eligible spouse is entitled to an amount deemed under section 1029.8.61.18, for the last month of the year, to be an overpayment of the eligible spouse’s tax payable;”;

(8) by replacing “\$1,000” in subparagraph ii of paragraph *b* by “\$1,500”.

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

**276.** (1) The Act is amended by inserting the following section after section 752.0.7.4:

**“752.0.7.4.1.** If, for the purpose of establishing the amount that an individual may deduct from the individual’s tax otherwise payable for a taxation year under section 752.0.7.4, the individual includes, in the aggregate referred to in that section, a particular amount under subparagraph i.1 of paragraph *a* or *b* of section 752.0.7.4 and the individual or the individual’s eligible spouse for the year was entitled to receive, for a month of the year, an amount deemed under section 1029.8.61.18 to be an overpayment of their tax payable for the year, the particular amount that would otherwise be applicable for the year under that paragraph is to be reduced by the proportion of that particular amount that the number of months in the year in respect of which the individual or the individual’s eligible spouse was entitled to such a deemed amount is of 12.”

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

**277.** (1) Section 752.0.10 of the Act is amended

(1) by replacing “For the purposes of this chapter, the amounts” in the portion before paragraph *a* by “The amounts”;

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

“(d) the amount by which a particular amount required to be included in computing the individual’s income for the year exceeds the amount by which the particular amount exceeds the aggregate of all amounts each of which is deducted otherwise than under the first paragraph of section 336.11 by the individual for the year in respect of that particular amount;”;

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

“(e.1) a payment, other than a payment under the Judges Act (Revised Statutes of Canada, 1985, chapter J-1) or the Lieutenant Governors Superannuation Act (Revised Statutes of Canada, 1985, chapter L-8), received out of or under an unfunded supplemental plan or arrangement, being a plan or arrangement where

i. the payment was in respect of services rendered to an employer by the individual or the individual’s spouse or former spouse as an employee, and

ii. the plan or arrangement would have been a retirement compensation arrangement or an employee benefit plan had the employer made a contribution in respect of the payment to a trust governed by the plan or arrangement; or”.

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



**278.** (1) The Act is amended by inserting the following section after section 752.0.10:

**“752.0.10.0.1.** For the purposes of section 752.0.8, a payment in respect of a life annuity under a pension plan is deemed to include a payment in respect of bridging benefits, being benefits payable under a registered pension plan on a periodic basis and not less frequently than annually to an individual if

(a) the individual or the individual’s spouse or former spouse was a member, within the meaning of section 965.0.1, of the registered pension plan;

(b) the benefits are payable for a period that ends no later than the end of the month following the month in which the member reaches 65 years of age or would have reached that age but for the member’s death; and

(c) the amount, expressed on an annual basis, of the benefits payable to the individual for a calendar year does not exceed the total of the maximum amount of benefits payable for that year under Part I of the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) and the maximum amount of benefits, other than disability, death or survivor benefits, payable for that year under either the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of paragraph *u* of section 1 of that Act.”

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

**279.** (1) Section 752.0.10.1 of the Act is amended

(1) by replacing “the fair market value of a gift, other than a gift the fair market value of which is included in the total cultural gifts” in the definition of “total Crown gifts” in the first paragraph by “the eligible amount of a gift, other than a gift described in the definition of “total cultural gifts””;

(2) by replacing the portion of the definition of “total charitable gifts” in the first paragraph before paragraph *a* by the following:

““total charitable gifts” of an individual for a taxation year means the aggregate of all amounts each of which is the eligible amount of a gift, other than a gift described in the definitions of “total Crown gifts” of the individual for the year, “total cultural gifts” of the individual for the year, “total gifts of qualified property” of the individual for the year and “total musical instrument gifts” of the individual for the year, made by the individual in the year or in any of the five preceding taxation years, if the conditions set out in section 752.0.10.2 are met in respect of that amount, to”;

(3) by inserting the following paragraph after paragraph *e* of the definition of “total charitable gifts” in the first paragraph:

“(e.0.1) a municipal or public body performing a function of government in Canada,”;

(4) by replacing the portion of the definition of “total gifts of qualified property” in the first paragraph before paragraph *a* by the following:

““total gifts of qualified property” of an individual for a taxation year means the aggregate of all amounts each of which is the eligible amount of a gift the fair market value of which is certified by the Minister of Sustainable Development, Environment and Parks, other than a gift described in the definitions of “total Crown gifts” of the individual for the year, “total cultural gifts” of the individual for the year and “total musical instrument gifts” of the individual for the year, made by the individual in the year or in any of the five preceding taxation years, if the conditions set out in section 752.0.10.2 are met in respect of that amount, to”;

(5) by replacing “or a municipality in Québec” in paragraph *b* of the definition of “total gifts of qualified property” in the first paragraph by “, a municipality in Québec or a municipal or public body performing a function of government in Québec”;

(6) by replacing “any other public body exercising government functions” in paragraph *d* of the definition of “total gifts of qualified property” in the first paragraph by “a municipal or public body performing a function of government”;

(7) by replacing “the fair market value of a gift, other than a gift the fair market value of which is included” in the portion of the definition of “total cultural gifts” in the first paragraph before paragraph *a* by “the eligible amount of a gift, other than a gift the eligible amount of which is included”;

(8) by replacing “the fair market value” in the portion of the definition of “total musical instrument gifts” in the first paragraph before paragraph *a* by “the eligible amount”;

(9) by replacing subparagraph *b* of the fourth paragraph by the following subparagraph:

“(b) B is the aggregate of all amounts each of which is equal to that proportion of the individual’s taxable capital gain for the year in respect of a gift made by the individual in the year and in respect of which gift an eligible amount is included in the individual’s total charitable gifts for the year, that the eligible amount of the gift is of the individual’s proceeds of disposition in respect of the gift;”;

(10) by replacing subparagraph ii of subparagraph *d* of the fourth paragraph by the following subparagraph:

“ii. the aggregate of the amounts determined in respect of a disposition that is the making of a gift of a property of the class made by the individual in the year and in respect of which gift an eligible amount is included in the individual’s total charitable gifts for the year, each of which is equal to the lesser of

(1) that proportion of the amount by which the proceeds of disposition of the property exceed any outlays made or expenses incurred by the individual for the purpose of making the disposition, that the eligible amount of the gift is of the individual’s proceeds of disposition in respect of the gift, and

(2) that proportion of the capital cost to the individual of the property that the eligible amount of the gift is of the individual’s proceeds of disposition in respect of the gift; and”.

(2) Paragraphs 1, 2, 4, 7, 9 and 10 of subsection 1 apply in respect of a gift made after 20 December 2002. However,

(1) when the portion of the definition of “total charitable gifts” in the first paragraph of section 752.0.10.1 of the Act before paragraph *a* applies in respect of a gift made before 24 March 2006, it is to be read as if “, “total gifts of qualified property” of the individual for the year and “total musical instrument gifts”” was replaced by “and “total gifts of qualified property””; and

(2) when the portion of the definition of “total gifts of qualified property” in the first paragraph of section 752.0.10.1 of the Act before paragraph *a* applies

(*a*) in respect of a gift made before 24 March 2006, it is to be read as if “, “total cultural gifts” of the individual for the year and “total musical instrument gifts”” was replaced by “and “total cultural gifts””; and

(*b*) before 19 April 2006, it is to be read as if “Minister of Sustainable Development, Environment and Parks” was replaced by “Minister of the Environment”.

(3) Paragraphs 3 and 5 of subsection 1 apply in respect of a gift made after 8 May 2000.

(4) Paragraph 6 of subsection 1 applies in respect of a gift made after 5 July 2001.

(5) Paragraph 8 of subsection 1 applies in respect of a gift made after 23 March 2006.

**280.** (1) Section 752.0.10.3 of the Act is amended by replacing “the fair market value” in the portion before paragraph *a* by “the eligible amount”.

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**281.** (1) Section 752.0.10.11 of the Act is amended by replacing “any gift made in the name of the partnership is deemed to be a gift” by “the eligible amount of a gift made in the name of the partnership is deemed to be the eligible amount of a gift”.

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**282.** (1) Section 752.0.10.11.2 of the Act is replaced by the following section:

**“752.0.10.11.2.** If, at any given time, an individual makes a gift of a work of art referred to in section 752.0.10.11.1 to a donee referred to in that section, the lesser of the amount that may reasonably be considered as the consideration for the disposition by the donee of the work of art and its fair market value at the time of the disposition, is deemed, for the purposes of the definition of “total charitable gifts” in the first paragraph of section 752.0.10.1, to be the fair market value for the purpose of computing the eligible amount of the gift at the given time, for the purposes of section 752.0.10.12, to be the fair market value of the capital property at the given time and, for the purposes of section 752.0.10.13, to be the fair market value of the work of art at the given time.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**283.** (1) Section 752.0.10.12 of the Act is replaced by the following section:

**“752.0.10.12.** The rule set out in the second paragraph applies if, at any time, an individual makes a gift of a capital property to a donee described in the definitions of “total charitable gifts”, “total Crown gifts” and “total gifts of qualified property” in the first paragraph of section 752.0.10.1 or, if the individual is not resident in Canada, a gift of an immovable property situated in Canada to a prescribed donee who provides an undertaking, in a form satisfactory to the Minister, to the effect that the property will be held for use in the public interest, the individual or the individual’s legal representative designates, after 19 December 2006 and in accordance with subsection 6 of section 118.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), an amount in respect of the gift, and, at that time, the fair market value of the capital property or immovable property exceeds

(a) in the case of a depreciable property of a prescribed class, the lesser of the undepreciated capital cost of that class at the end of the taxation year of the individual that includes that time, determined without reference to the proceeds of disposition determined in respect of the property under the second paragraph, and the adjusted cost base to the individual of the property immediately before that time; and

(b) in any other case, the adjusted cost base to the individual of the capital property or immovable property immediately before that time.

The lesser of the fair market value of the capital property or immovable property otherwise determined and the greatest of the following amounts, is deemed to be both the individual's proceeds of disposition of the capital property or immovable property and, for the purposes of section 7.21, the fair market value of the gift:

(a) in the case of a gift made after 20 December 2002, the amount of the advantage in respect of the gift;

(b) the amount determined under subparagraph *a* or *b* of the first paragraph in respect of the capital property or immovable property; and

(c) the amount designated in respect of the gift in accordance with subsection 6 of section 118.1 of the Income Tax Act.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 6 of section 118.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.”

(2) Subsection 1 applies in respect of a gift made after 31 December 1999. However, when section 752.0.10.12 of the Act applies before 20 December 2006, it is to be read

(1) as if the portion of the first paragraph before subparagraph *a* was replaced by the following:

**“752.0.10.12.** The rule set out in the second paragraph applies if, at any time, an individual makes a gift of a capital property to a donee described in the definitions of “total charitable gifts”, “total Crown gifts” and “total gifts of qualified property” in the first paragraph of section 752.0.10.1 or, if the individual is not resident in Canada, a gift of an immovable property situated in Canada to a prescribed donee who provides an undertaking, in a form satisfactory to the Minister, to the effect that the property will be held for use in the public interest, the individual or the individual's legal representative designates an amount in respect of the gift in the fiscal return which must be filed by or for the individual under section 1000 for the year in which the gift is made, and, at that time, the fair market value of the capital property or immovable property exceeds”;

(2) as if, subject to subsection 3, the portion of the second paragraph before subparagraph *a* was replaced by the following:

“The designated amount is deemed to be both the individual's proceeds of disposition of the capital property or immovable property and, for the purposes of section 7.21, the fair market value of the gift, but the designated amount may not exceed the fair market value of the capital property or immovable property otherwise determined and may not be less than the greater of”; and

(3) without reference to subparagraph *c* of the second paragraph and the third paragraph.

(3) When section 752.0.10.12 of the Act applies in respect of a gift made after 31 December 1999 and before 21 December 2002, it is to be read as if “7.21” in the portion of the second paragraph before subparagraph *a* was replaced by “752.0.10.1”.

**284.** (1) Section 752.0.10.13 of the Act is amended

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

“(b) if the individual or the individual’s legal representative designates, after 19 December 2006 and in accordance with subsection 7 of section 118.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), an amount in respect of the gift, the lesser of the fair market value of the work of art otherwise determined and the greatest of the amount of the advantage in respect of the gift, the cost amount to the individual of the work of art and the amount designated in respect of the gift in accordance with that subsection 7 is deemed to be both the individual’s proceeds of disposition of the work of art and, for the purposes of section 7.21, the fair market value of the gift.”;

(2) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 7 of section 118.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.”

(2) Paragraph 1 of subsection 1 applies in respect of a gift made after 20 December 2002. However, when section 752.0.10.13 of the Act applies before 20 December 2006, it is to be read as if paragraph *b* was replaced by the following paragraph:

“(b) the individual or the individual’s legal representative may designate in the fiscal return required to be filed by or for the individual under section 1000 for the year in which the gift is made, an amount that is deemed to be for the individual, the proceeds of disposition of the work of art and, for the purposes of section 7.21, the fair market value of the gift, that must not exceed the fair market value nor be less than the greater of the amount of the advantage in respect of the gift and the cost amount to the individual of the work of art.”

(3) Paragraph 2 of subsection 1 has effect from 20 December 2006.

**285.** (1) Section 752.0.10.14 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the individual is deemed to have received, at that time, proceeds of disposition equal to the greater of the cost amount to the individual of the work of art at that time and the amount of the advantage in respect of the gift.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**286.** (1) Section 752.0.10.15.1 of the Act is amended by replacing “the amount of the fair market value of that gift” by “the eligible amount of that gift”.

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**287.** (1) Section 752.0.10.16 of the Act is amended

(1) by replacing paragraphs *b* and *c* by the following paragraphs:

“(b) if the security ceases to be a non-qualifying security of the individual at a subsequent time that is within 60 months after the particular time and the donee has not disposed of the security at or before the subsequent time, the individual is deemed to have made a gift to the donee of property at the subsequent time and the fair market value of the property is deemed to be the lesser of the fair market value of the security at the subsequent time and the fair market value of the security at the particular time that would, but for this section, have been included in the individual’s total charitable gifts or total Crown gifts for a taxation year; and

“(c) if the security is disposed of by the donee within 60 months after the particular time and paragraph *b* does not apply to the security, the individual is deemed to have made a gift to the donee of a property at the time of the disposition and the fair market value of the property is deemed to be the lesser of the fair market value of any consideration (other than a non-qualifying security of the individual or a property that would be a non-qualifying security of the individual if the individual were alive at the time of the disposition) received by the donee for the security and the fair market value of the security at the particular time that would, but for this section, have been included in the individual’s total charitable gifts or total Crown gifts for a taxation year;”;

(2) by striking out paragraph *d*.

(2) Paragraph 1 of subsection 1 applies in respect of a gift made after 20 December 2002.

(3) Paragraph 2 of subsection 1 has effect from 20 December 2006.

**288.** (1) Section 752.0.11.1 of the Act is amended

(1) by inserting “in writing” after “certified” in the following provisions:

— paragraph *h*;

— paragraph *i*;

— paragraph *k*;

(2) by replacing “has been certified by a practitioner” in paragraphs *l* and *n* by “has been certified in writing by a practitioner”.

(2) Subsection 1 applies in respect of a certification made after 20 December 2002.

**289.** (1) Section 752.0.14 of the Act is amended by replacing “\$2,250” in the portion of the first paragraph before subparagraph *a* by “\$2,295”.

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

**290.** (1) Section 752.0.18.10 of the Act is amended by replacing “by the aggregate of” in the portion before paragraph *a* by “by the amount by which the amount determined under section 752.0.18.13.1 for the year is exceeded by the aggregate of”.

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

**291.** (1) The Act is amended by inserting the following section after section 752.0.18.13:

“**752.0.18.13.1.** The amount to which the portion of section 752.0.18.10 before paragraph *a* refers, for a taxation year and in relation to an individual, is equal to the aggregate of all amounts each of which is determined by the formula

A/B.

In the formula in the first paragraph,

(*a*) A is an amount transferred by the individual to another individual, in accordance with section 776.41.21, for the year or for a preceding taxation year (in this paragraph referred to as the “transfer year”); and

(*b*) B is the percentage determined under section 750.1 for the transfer year.”

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



**292.** (1) Section 752.0.22 of the Act is amended by inserting “776.41.14,” after “752.0.1,” and by inserting “776.41.21,” after “752.0.13.1.1,”.

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

**293.** (1) Section 752.0.23.1 of the Act is repealed.

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

**294.** (1) Section 752.0.24 of the Act is amended, in subparagraph *a* of the first paragraph,

(1) by replacing subparagraph ii by the following subparagraph:

“ii. such of the amounts as the individual would be allowed to deduct for the year under any of sections 752.0.0.1, 752.0.1 to 752.0.7 and 752.0.14 if the deduction were computed with each particular amount in dollars that is referred to in any of those sections and that would otherwise be applicable for the year, with reference to section 750.2, replaced by the proportion of the particular amount that the number of days in that period is of the number of days in the year, and as though that period were a whole taxation year; and”;

(2) by striking out subparagraph iii.

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

**295.** (1) Section 752.0.24.1 of the Act is replaced by the following section:

“**752.0.24.1.** For the purposes of sections 752.0.0.4 to 752.0.0.6, if an individual to whom section 752.0.0.3 applies for a taxation year is resident in Canada only during part of the year, there shall be taken into account, as a covered benefit attributable to the year, only an amount that can reasonably be considered wholly attributable to any period in the year throughout which the individual was resident in Canada.”

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

**296.** (1) Section 752.0.26 of the Act is replaced by the following section:

“**752.0.26.** If a separate fiscal return in respect of an individual is filed under any of sections 429, 681 and 1003 for a particular period and another fiscal return in respect of the same individual is filed under this Part for a period ending in the calendar year in which the particular period ends, for the purpose of computing the tax payable under this Part by the individual in such fiscal returns, the aggregate of the deductions claimed in all such returns under sections 752.0.7.1 to 752.0.18.15 must not exceed the aggregate of the deductions that could be claimed under those sections for the year in respect of the individual if no separate fiscal returns were filed under sections 429, 681 and 1003.”

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

**297.** (1) Section 752.0.27 of the Act is amended

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

“(b) in the case of an amount that is deductible for such a taxation year under section 752.0.0.1 or 752.0.14, the amount is to be computed as if the particular amount in dollars that is referred to in that section and that would otherwise be applicable for such a taxation year, with reference to section 750.2, was replaced by the proportion of that particular amount that the number of days in that taxation year is of the number of days in the calendar year; and”;

(2) by striking out subparagraph *b.1* of the first paragraph;

(3) by replacing “any of paragraphs *b*, *c*, *e* and *f* of section 752.0.1” in the portion of the second paragraph before subparagraph *a* by “paragraph *f* of section 752.0.1”.

(2) Paragraphs 1 and 2 of subsection 1 apply from the taxation year 2008.

(3) Paragraph 3 of subsection 1 applies from the taxation year 2007.

**298.** (1) Section 752.0.27.1 of the Act is replaced by the following section:

“**752.0.27.1.** For the purposes of sections 752.0.0.4 to 752.0.0.6, if an individual becomes a bankrupt in a calendar year and section 752.0.0.3 applies in respect of the individual for each of the individual’s taxation years referred to in section 779 that end in the calendar year, there shall be taken into account, as a covered benefit attributable to any of those taxation years, only an amount that is wholly attributable to that taxation year.”

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

**299.** (1) Section 752.14 of the Act is amended by striking out “766.6,”.

(2) Subsection 1 applies from the taxation year 2000.

**300.** (1) Section 766.2 of the Act is amended by inserting the following subparagraph after subparagraph *a* of the first paragraph:

“(a.1) the individual is not required to include, by reason of the second paragraph of section 694.0.0.1, an amount in computing taxable income for the particular taxation year;”.

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

**301.** (1) Section 766.2.1 of the Act is amended by replacing “subparagraph *a* or *c*” by “any of subparagraphs *a*, *a.1* and *c*”.

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

**302.** (1) Section 766.12 of the Act is amended

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

“**766.12.** If section 766.9 applies to an individual in respect of a covered benefit attributable to the taxation year 2004 and the amount of which is determined by an entity, other than the Commission de la santé et de la sécurité du travail and the Société de l’assurance automobile du Québec, there must be included in computing, for that year, the aggregate referred to in the first paragraph of section 766.9, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined (in this section referred to as the “particular day”), equal to the lesser of the amounts determined for the particular day by the following formulas:

(a)  $\{[(0.80 \times A \times B/C) - (0.80 \times D \times E/C)] \times (1 - F)\} - G/C$ ; and

(b)  $\{[(A \times \$9,200/C) - H] \times (1 - F)\} - G/C$ .”;

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

“(a) *A* is the percentage that applies to the income insured by the public compensation plan for the purpose of determining, for the particular day, the covered benefit attributable to the year;

“(b) *B* is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;”;

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

“(d) *D* is

i. if only a portion of the income, other than the recognized income on the date of the event giving rise to the covered benefit attributable to the year, is taken into consideration for the purpose of determining, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that income, and

ii. in any other case, 100%;

(e) E is the annual gross revenue from a suitable employment or employment held, for the particular day;

(f) F is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(g) G is the amount obtained by multiplying 0.80 by the amount that is, in determining, for the particular day, the covered benefit attributable to the year, used to reduce the amount of that covered benefit; and

(h) H is the lesser of

i. the amount obtained by multiplying 0.80 by the amount obtained by multiplying the percentage determined for the year under subparagraph *d* by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by multiplying the percentage determined for the year under subparagraph *d* by the amount obtained by dividing \$9,200 by the number of days in the year.

For the purposes of subparagraph *e* and subparagraph i of subparagraph *h* of the second paragraph, “annual gross revenue from a suitable employment or employment held”, for a particular day, means the annual gross revenue relating to a suitable employment or employment held, including any other amount that replaces work income, that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.”

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

**303.** (1) Section 767 of the Act is amended by replacing the first paragraph by the following paragraph:

“**767.** An individual may deduct from the individual’s tax otherwise payable under this Part for a taxation year the aggregate of

(a) the amount obtained by multiplying  $\frac{2}{5}$  by the amount the individual is required to include in computing the individual’s income for the year under subparagraph *a* of the second paragraph of section 497; and

(b) the amount obtained by multiplying 17.255/45 by the amount the individual is required to include in computing the individual's income for the year under subparagraph *b* of the second paragraph of section 497.”

(2) Subsection 1 applies in respect of a dividend paid after 23 March 2006.

**304.** (1) Section 768 of the Act is replaced by the following section:

“**768.** The tax payable under this Part by an *inter vivos* trust, other than a mutual fund trust or a SIFT trust, is the greater of the tax payable on its taxable income for a taxation year determined under section 750 and the amount obtained by multiplying the percentage specified in section 750.1 for the year by its taxable income for the year.”

(2) Subsection 1 has effect from 31 October 2006.

**305.** (1) Section 770 of the Act is amended by replacing the portion before paragraph *a* by the following:

“**770.** Despite section 750, the tax payable under this Part by a mutual fund trust, other than a SIFT trust, on its taxable income for a taxation year is equal to the greater of”.

(2) Subsection 1 has effect from 31 October 2006.

**306.** (1) The Act is amended by inserting the following section after section 770:

“**770.0.1.** Despite section 750, the tax payable under this Part by a SIFT trust on its taxable income for a taxation year is equal to the amount of tax that would be payable by the trust under section 768 or 770 on its taxable income for the taxation year if

(a) section 768 or 770 applied to a SIFT trust; and

(b) the taxable income of the SIFT trust were equal to the amount by which its taxable income otherwise determined exceeds the amount determined in its respect for the year under paragraph *b* of the definition of “taxable distributions amount” in the first paragraph of section 1129.70.”

(2) Subsection 1 has effect from 31 October 2006.

**307.** (1) Section 771 of the Act is amended, in subsection 1,

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

“(d.2) in the case of a corporation other than a corporation referred to in paragraph *a*, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its

taxable income for the year exceeds, if the corporation has been throughout the year a Canadian-controlled private corporation, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.4 to the amount determined in its respect for the year under section 771.2.1.2;”;

(2) by replacing the portion of paragraph *h* before subparagraph ii by the following:

“(h) despite paragraph *d.2*, in the case of a corporation other than a corporation referred to in paragraph *a*, for a taxation year for which it is a qualified corporation, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds the aggregate of

i. the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to the amount determined in its respect for the year under section 771.8.3, and”;

(3) by striking out subparagraph ii of paragraph *h*;

(4) by replacing the portion of paragraph *j* before subparagraph ii by the following:

“(j) despite paragraph *d.2*, in the case of a corporation other than a corporation referred to in paragraph *a*, for a taxation year for which it is an exempt corporation, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds the aggregate of

i. the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to the amount determined in its respect for the year under section 771.8.5, and”;

(5) by striking out subparagraph ii of paragraph *j*.

(2) Paragraphs 1, 3 and 5 of subsection 1 apply to a taxation year that begins after 20 February 2007. In addition, when subsection 1 of section 771 of the Act applies to a taxation year that ends after 20 February 2007 and that includes that date, it is to be read as if the portion of paragraph *d.2* before subparagraph i was replaced by the following:

“(d.2) in the case of a corporation other than a corporation referred to in paragraph *a*, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds the aggregate of”.

(3) Paragraphs 2 and 4 of subsection 1 apply to a taxation year that ends after 20 February 2007.

(4) For the purposes of subparagraph *i* of subparagraph *a* of the first paragraph of section 1027 of the Act, for the purpose of computing the amount of a payment that a corporation that is a financial institution or an oil refining corporation, within the meaning assigned to those expressions by section 771.1 of the Act, as amended by section 312, is required to make under subparagraph *a* of the first paragraph of section 1027 of the Act, for a taxation year that ends after 31 May 2007 and includes that date, and under section 1038 of the Act, for the purpose of computing the interest provided for in that section that the corporation shall pay, if applicable, in respect of that payment, its estimated tax or its tax payable for that taxation year

(1) must, in respect of a payment that the corporation is required to make before 2 June 2007, be established on the assumption that the corporation is not a financial institution or an oil refining corporation; and

(2) is, in respect of a payment that the corporation is required to make after 1 June 2007, deemed to be equal to the total of that estimated tax or tax payable, computed on the assumption that the corporation is not a financial institution or an oil refining corporation, and the product obtained by multiplying, by the proportion that 12 is of the number of payments that the corporation is required to make, after 1 June 2007, for the taxation year under subparagraph *a* of the first paragraph of section 1027 of the Act, the amount by which that estimated tax or tax payable, computed without reference to this subsection, exceeds that estimated tax or tax payable, computed on the assumption that the corporation is not a financial institution or an oil refining corporation.

**308.** (1) Section 771.0.2.2 of the Act is amended

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

**“771.0.2.2.** For the purposes of sections 771.2.1.2, 771.8.3 and 771.8.5, the amount that must be determined in respect of a corporation for a taxation year under this section is the amount determined in respect of the corporation for the year by the formula

$A/(B \times C)$ .”;

(2) by adding the following subparagraph after subparagraph *b* of the second paragraph:

“(c) C is the basic rate determined in respect of the corporation for the year under section 771.0.2.3.1.”

(2) Subsection 1 applies to a taxation year that ends after 20 February 2007. However, when section 771.0.2.2 of the Act applies to such a taxation year that includes that date, it is to be read as if “771,” was inserted after “for the purposes of sections” in the first paragraph.

**309.** (1) Section 771.0.2.3 of the Act is repealed.

(2) Subsection 1 applies to a taxation year that begins after 20 February 2007. In addition, when section 771.0.2.3 of the Act applies

(1) to a taxation year that ends before 21 February 2007, it is to be read

(a) as if subparagraph *c* of the first paragraph was replaced by the following subparagraph:

“(c) if the taxation year begins before 1 January 2009 and subparagraphs *a* and *b* do not apply, the total of the percentages each of which is the proportion of the base percentage for a calendar year that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year; and”;

(b) as if “2005” in subparagraph *a* of the second paragraph was replaced by “2004 or 2005”;

(2) to a taxation year that ends after 20 February 2007 and that includes that date, it is to be read as follows:

**“771.0.2.3.** The percentage referred to, in respect of a corporation for a taxation year, in subparagraph *i* of paragraph *d.2* of subsection 1 of section 771 or in subparagraph *ii* of paragraph *h* or *j* of that subsection 1 is equal to the proportion of 6.35% that the number of days in the taxation year that precede 21 February 2007 is of the number of days in the taxation year.”

**310.** (1) The Act is amended by inserting the following section after section 771.0.2.3:

**“771.0.2.3.1.** For the purposes of sections 771 and 771.0.2.2, the basic rate that must be determined in respect of a corporation for a taxation year under this section is equal to

(a) if the taxation year begins before 1 January 2009, the total of

i. the proportion of 16.25% that the number of days in the taxation year that precede 21 February 2007 is of the number of days in the taxation year,

ii. the proportion of 9.9% that the number of days in the taxation year that follow 20 February 2007 but precede 1 June 2007 is of the number of days in the taxation year,

iii. the proportion of 11.9% if the corporation is a financial institution or an oil refining corporation, or of 9.9% in any other case, that the number of days in the taxation year that follow 31 May 2007 but precede 1 January 2008 is of the number of days in the taxation year,



iv. the proportion of 11.9% if the corporation is a financial institution or an oil refining corporation, or of 11.4% in any other case, that the number of days in the taxation year that follow 31 December 2007 but precede 1 January 2009 is of the number of days in the taxation year, and

v. the proportion of 11.9% that the number of days in the taxation year that follow 31 December 2008 is of the number of days in the taxation year; and

(b) if the taxation year begins after 31 December 2008, 11.9%.”

(2) Subsection 1 applies to a taxation year that ends after 20 February 2007.

**311.** (1) Section 771.0.2.4 of the Act is replaced by the following section:

**“771.0.2.4.** For the purposes of section 771, the percentage that must be determined in respect of a corporation for a taxation year under this section is equal to

(a) if the taxation year begins before 1 January 2009, the total of

i. the proportion of 1.4% that the number of days in the taxation year that precede 24 March 2006 is of the number of days in the taxation year,

ii. the proportion of 1.9% that the number of days in the taxation year that follow 23 March 2006 but precede 1 June 2007 is of the number of days in the taxation year,

iii. the proportion of 3.9% if the corporation is a financial institution or an oil refining corporation, or of 1.9% in any other case, that the number of days in the taxation year that follow 31 May 2007 but precede 1 January 2008 is of the number of days in the taxation year,

iv. the proportion of 3.9% if the corporation is a financial institution or an oil refining corporation, or of 3.4% in any other case, that the number of days in the taxation year that follow 31 December 2007 but precede 1 January 2009 is of the number of days in the taxation year, and

v. the proportion of 3.9% that the number of days in the taxation year that follow 31 December 2008 is of the number of days in the taxation year; and

(b) if the taxation year begins after 31 December 2008, 3.9%.”

(2) Subsection 1 applies to a taxation year that ends after 20 February 2007. In addition, when section 771.0.2.4 of the Act applies to the taxation year 2006, it is to be read as if “2005” in subparagraph *a* of the second paragraph was replaced by “2004 or 2005” and as if “2005” in the portion of the third paragraph before subparagraph *a* was replaced by “2004, 2005”.

**312.** (1) Section 771.1 of the Act is amended

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

““financial institution” means a corporation referred to in paragraph *a* of section 1132;”;

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

““oil refining corporation” for a taxation year means a corporation that, at any time in the year after 31 May 2007, carries on an oil refining business or is the owner or lessee of property used in the carrying on of such a business by another corporation, a partnership or a trust with which the corporation is associated;”;

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

“For the purposes of the definition of “oil refining corporation” in the first paragraph, the following rules apply for the purpose of determining whether a corporation is associated with a partnership or a trust at any time:

(a) a partnership is deemed to be a corporation the taxation year of which corresponds to its fiscal period and all the voting shares in the capital stock of which are owned at that time by each member of the partnership in a proportion equal to the proportion that the member’s share of the income or loss of the partnership for its fiscal period that includes that time 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; and

(b) a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this subparagraph *b* referred to as the “distribution date”), and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) if any such beneficiary’s share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if that time occurs before the distribution date, are owned at that time by the beneficiary, and

(2) if subparagraph 1 does not apply and if that time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. if a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at that time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to in that section from whom a property of the trust or a property for which it was substituted was directly or indirectly received.”

(2) Subsection 1 applies to a taxation year that ends after 20 February 2007.

**313.** (1) Section 771.2.1.3 of the Act is amended

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

“For the purposes of the first paragraph and sections 771.2.1.4 to 771.2.1.8, if two corporations are deemed, under section 21.21, to be associated with each other at any time because they are associated, or deemed to be associated under section 21.21, at that time with the same corporation (in this paragraph referred to as the “third corporation”) and the third corporation is not a Canadian-controlled private corporation at that time or makes a valid election under subsection 2 of section 256 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006, in relation to its taxation year that includes that time, not to be associated with either of the other two corporations, the following rules apply:”;

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

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 256 of the Income Tax Act or in relation to an election made under the second paragraph before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**314.** (1) Section 771.2.1.9 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) in respect of a financial institution, twice its paid-up capital determined for that year in accordance with Title II of Book III of Part IV;”.

(2) Subsection 1 applies to a taxation year that ends after 20 February 2007.

**315.** (1) Section 771.2.2 of the Act is amended

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

**“771.2.2.** For the purposes of sections 771.2.1.2 and 771.8.3 in respect of a corporation for a taxation year, the following rules apply:

(a) the excess amount described in paragraph *a* of section 771.2.1.2 is to be computed as if the corporation had, for the year;”;

(2) by replacing “; or carries on in Canada” in subparagraphs *i* and *ii* of paragraph *a* by “in Canada”;

(3) by replacing “in paragraph *d* of section 771.8.3 shall” in the portion of paragraph *b* before subparagraph *i* by “in subparagraph *d* of the first paragraph of section 771.8.3 is to”.

(2) Paragraphs 1 and 2 of subsection 1 apply to a taxation year that begins after 20 February 2007.

**316.** (1) Section 771.2.3 of the Act is amended by striking out “paragraphs *d.2* and *h* of subsection 1 of section 771 and” in the portion before paragraph *a*.

(2) Subsection 1 applies to a taxation year that begins after 20 February 2007.

**317.** (1) Sections 771.2.4 and 771.2.5 of the Act are amended by striking out “paragraphs *d.2* and *h* of subsection 1 of section 771 and”.

(2) Subsection 1 applies to a taxation year that begins after 20 February 2007.

**318.** (1) Section 771.2.6 of the Act is amended

(1) by striking out “paragraph *d.2* of subsection 1 of section 771 and” in the portion of the first paragraph before subparagraph *a*;

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

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

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

“In the formula in the second paragraph,

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

(b) B is the corporation’s reduction factor for the year, within the meaning assigned by the first paragraph of section 737.18.18.”

(2) Paragraph 1 of subsection 1 applies to a taxation year that begins after 20 February 2007.

(3) Paragraphs 2 and 3 of subsection 1 apply to a taxation year that ends after 31 December 2007. However, when section 771.2.6 of the Act applies to a taxation year that includes that date, it is to be read

(1) as if the formula in the second paragraph was replaced by the following formula:

“ $\{[1 - (A/\$10,000,000)] \times B\} + \{[1 - (A/\$10,000,000)] \times C \times (1 - D)\}$ .”; and

(2) as if the third paragraph was replaced by the following paragraph:

“In the formula in the second paragraph,

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

(b) B is the product obtained by multiplying 75% by the proportion that the number of days in the year that precede 1 January 2008 is of the number of days in the year;

(c) C is the product obtained by multiplying 75% by the proportion that the number of days in the year that follow 31 December 2007 is of the number of days in the year; and

(d) D is the corporation’s reduction factor for the year, within the meaning assigned by the first paragraph of section 737.18.18.”

**319.** (1) Section 771.2.7 of the Act is amended by striking out “paragraphs *d.2* and *h* of subsection 1 of section 771 and” wherever it appears in the portion before paragraph *b*.

(2) Subsection 1 applies to a taxation year that begins after 20 February 2007.

**320.** (1) Section 771.6 of the Act is amended by replacing subparagraph *a* of the third paragraph by the following subparagraph:

“(a) in respect of a financial institution, a corporation referred to in paragraph *c* of section 1132 or a mining corporation that has not reached the production stage, its paid-up capital that would be determined in accordance with Book III of Part IV if no reference were made to sections 1138.0.1 and 1141.3;”.

(2) Subsection 1 applies to a taxation year that ends after 20 February 2007.

**321.** (1) Section 772.2 of the Act is amended by replacing “subparagraphs *i* and *ii* of paragraph *d.2* of subsection 1 of section 771, subparagraphs *i* to *ii.1* of paragraph *h* of that subsection 1 and subparagraphs *i* to *iii* of paragraph *j* of that subsection 1” in the definition of “tax otherwise payable” by “subparagraphs *i* and *ii.1* of paragraph *h* of subsection 1 of section 771 and subparagraphs *i* and *iii* of paragraph *j* of that subsection 1, and, in paragraph *d.2* of that subsection 1, the deduction provided for in respect of a Canadian-controlled private corporation”.

(2) Subsection 1 applies to a taxation year that begins after 20 February 2007.

**322.** Section 772.3 of the Act is amended by striking out “deemed to be”.

**323.** (1) Section 772.4 of the Act is amended by adding the following paragraph:

“For the purposes of section 772.9.1, if, in computing a taxpayer’s income from a business carried on by the taxpayer in Canada, an amount is included in respect of interest paid or payable to the taxpayer by a person resident in a foreign country, and the taxpayer has paid to the government of that country a non-business-income tax for the year with respect to the amount, the amount is deemed to be income from a source in that foreign country.”

(2) Subsection 1 applies in respect of an amount received after 27 February 2004.

**324.** (1) The Act is amended by inserting the following section after section 772.9.1:

**“772.9.1.1.** If an amount is deemed under section 603.1 to be a taxable dividend received by a person in a taxation year of the person in respect of a partnership, and it may reasonably be considered that all or part of the amount (in this section referred to as the “foreign-source portion”) is attributable to income of the partnership from a source in a foreign country, the person is deemed for the purposes of this chapter to have income from that source for the year equal to the amount determined by the formula

$$A \times B/C.$$

In the formula in the first paragraph,

(a) A is the amount included under section 497 in computing the person’s income for the year in respect of the taxable dividend;

(b) B is the foreign-source portion; and

(c) C is the amount of the taxable dividend deemed to be received by the person.”

(2) Subsection 1 has effect from 31 October 2006.

**325.** (1) Section 772.9.2 of the Act is amended by replacing “paragraph *c* of section 785.2” in the portion of the first paragraph before subparagraph *a* by “subparagraph *c* of the first paragraph of section 785.2”.

(2) Subsection 1 has effect from 20 December 2006.

**326.** Section 772.9.3 of the Act is amended, in the first paragraph in the French text,

(1) by replacing “d’une attribution” in the portion before subparagraph *a* by “d’une distribution”;

(2) by replacing “l’attribution” wherever it appears in the following provisions by “la distribution”:

— the portion before subparagraph *a*;

— the portion of subparagraph *a* before subparagraph *i*;

— subparagraph *b*;

(3) by replacing “attribué” in subparagraph *b* by “distribué”.

**327.** (1) Section 776.41.5 of the Act is amended by replacing the third paragraph by the following paragraph:

“For the purposes of subparagraph *a* of the second paragraph, the following rules apply:

(a) an individual whose eligible spouse for a taxation year transfers for the year an amount to another individual in accordance with the first paragraph of section 776.41.14 shall reduce the aggregate described in subparagraph *a* of the second paragraph by the total of all amounts each of which is an amount that the eligible spouse so transfers for the year to another individual; and

(b) if the eligible spouse of an individual for a taxation year may deduct, for the year, an amount under any of sections 752.0.10.6, 752.0.11, 752.0.18.10, 752.0.18.15, 772.8, 776.1.1 and 776.1.2 (in this subparagraph referred to as the “deductible amount”), the individual may, in respect of the deductible amount, include in the aggregate described in subparagraph *a* of the second paragraph only the portion of the deductible amount specified by the eligible spouse in the fiscal return the eligible spouse files for the year.”

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

**328.** (1) The Act is amended by inserting the following after section 776.41.11:

**“TITLE X**

**“TRANSFER OF THE UNUSED PORTION OF A STUDENT’S BASIC PERSONAL TAX CREDIT**

**“776.41.12.** In this Title,

“designated educational institution” means an educational institution that the Minister of Education, Recreation and Sports designates for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses (chapter A-13.3);

“eligible student” for a taxation year means, subject to the second paragraph, a person who is 18 years of age or over during the year and who began, in the year, a recognized term of study at a designated educational institution where the person was enrolled in a recognized educational program;

“recognized educational program” means an educational program that provides that each student taking the program spend not less than 9 hours per week on courses or work in the program and that is,

(a) if the educational institution is situated in Québec, an educational program recognized by the Minister of Education, Recreation and Sports for the purposes of the loans and bursaries program for full-time studies in



vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses; and

(b) if the educational institution is situated outside Québec, an educational program at the college level or at the university level or the equivalent;

“recognized term of study” means a term that is completed and during which a person was in full-time attendance at a designated educational institution.

However, a person is an eligible student only if the person’s enrolment in a recognized educational program at a designated educational institution is proven by filing with the Minister a declaration in the prescribed form issued by the designated educational institution and containing prescribed information.

**“776.41.13.** For the purposes of this Title, if a person has a major functional deficiency within the meaning of the Regulation respecting financial assistance for education expenses made by Order in Council 344-2004 (2004, G.O. 2, 1211), as amended, and the person, for that reason, pursues studies on a part-time basis during a taxation year, the following rules apply:

(a) the person is deemed to be pursuing studies on a full-time basis during the year; and

(b) the definition of “recognized educational program” in the first paragraph of section 776.41.12 is to be read as if “spend not less than 9 hours per week on courses or work in the program” was replaced by “receive a minimum of 20 hours of instruction per month”.

**“776.41.14.** An individual who is the father or mother of an eligible student for a taxation year may deduct from the individual’s tax otherwise payable for the year under this Part the amount that the eligible student transfers to the individual for the year, for the purposes of this Title, by means of the prescribed form containing prescribed information and that may not exceed the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is the amount obtained by multiplying the percentage determined under section 750.1 for the year by

i. \$6,650, if the eligible student began in the year at least two recognized terms of study, or

ii. the amount by which \$6,650 exceeds \$1,860, if the eligible student began in the year only one recognized term of study; and

(b) B is the eligible student's tax otherwise payable for the year under this Part, computed without reference to the deductions under Book V.

For the purpose of determining, for a taxation year, the amount that an eligible student who reaches 18 years of age in the year may transfer to an individual for the purposes of the first paragraph, subparagraph *a* of the second paragraph is to be read as follows:

“(a) A is the amount obtained by multiplying the percentage determined under section 750.1 for the year by the total of

- i. \$1,860 in respect of each recognized term of study, without exceeding two, that the eligible student began in the year, and
- ii. the proportion that the number of months in the year following the month in which the eligible student reaches 18 years of age is of 12, multiplied by the amount by which \$6,650 exceeds the amount obtained by multiplying \$1,860 by 2; and”.

“**776.41.15.** If, for a taxation year, more than one individual is entitled to deduct an amount under section 776.41.14 in respect of the same eligible student, the aggregate of the amounts that the individuals may so deduct may not exceed the limit that is the amount that one of those individuals could deduct for the year under section 776.41.14 in respect of the student, if the individual were the only individual to whom the eligible student could transfer an amount for the year in accordance with the first paragraph of that section.

If the aggregate of the amounts that the individuals could, but for this section, deduct for the year under section 776.41.14 in respect of the eligible student exceeds the limit provided for in the first paragraph, the Minister may determine the amount that each of the individuals may deduct for the year in respect of the student under that section and the amount so determined is deemed to be the amount that the eligible student transferred for the year to the individual in accordance with the first paragraph of that section.

“**776.41.16.** The amount that an individual referred to in the second paragraph of section 22 or 25 may deduct, under section 776.41.14, from the individual's tax otherwise payable for a taxation year under this Part may not exceed the portion of that amount that is the proportion referred to in the second paragraph of section 22 or 25.

“**776.41.17.** The following rules apply for the purpose of determining the amount that an individual who was resident in Canada for only part of a taxation year may deduct, under section 776.41.14, from the individual's tax otherwise payable for the year under this Part in relation to an eligible student:

(a) in respect of any period in the year throughout which the individual was resident in Canada, the amount deductible under section 776.41.14 in relation to the student is to be established as if the period was a whole taxation

year and the amount that the student transfers to the individual for the purposes of the first paragraph of section 776.41.14 was replaced by the proportion of that amount that the number of days in the period is of the number of days in the year; and

(b) in respect of a period in the year that is not referred to in subparagraph a, the amount deductible under section 776.41.14 in relation to the student is to be established as if the period was a whole taxation year.

However, the amount that the individual may deduct for the year under section 776.41.14 in respect of the eligible student, as a consequence of the application of the rules of the first paragraph, must not exceed the amount that would otherwise have been deductible in respect of the student, under that section, if the individual had been resident in Canada throughout the year.

**“776.41.18.** Section 776.41.14 does not apply for the purpose of computing the tax otherwise payable of an individual referred to in the second paragraph of section 26 for a taxation year under this Part.

However, an individual all or substantially all of whose income for the year, determined under section 28, is included in computing the individual's taxable income earned in Canada for the year, may deduct, from the individual's tax otherwise payable for the year under this Part, the portion of the amount, determined under section 776.41.14, that is the proportion referred to in the second paragraph of section 26.

**“776.41.19.** The amount that an individual who became a bankrupt in a calendar year may deduct, under section 776.41.14, from the individual's tax otherwise payable under this Part for each of the individual's taxation years referred to in section 779 that end in the calendar year is equal to the portion of that amount, otherwise determined, that is the proportion that the number of days in that taxation year is of the number of days in the calendar year.

**“776.41.20.** An individual who dies in a taxation year may deduct an amount for the year under section 776.41.14 only in computing the individual's tax payable as specified in the individual's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the individual's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

An individual may deduct for a taxation year under section 776.41.14 in respect of an eligible student who dies in the year only the amount that is transferred to the individual by means of the prescribed form that is enclosed with the eligible student's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the eligible student's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

**“TITLE XI****“TRANSFER OF THE UNUSED PORTION OF THE TAX CREDIT FOR TUITION FEES AND EXAMINATION FEES**

**“776.41.21.** An individual who is the father, mother, grandfather or grandmother of a person may deduct, from the individual’s tax otherwise payable for a taxation year under this Part, the amount that the person transfers to the individual for the year, for the purposes of this Title, by means of the prescribed form containing prescribed information and that may not exceed the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is the amount obtained by multiplying the percentage determined under section 750.1 for the year by the aggregate of

i. the amount of the person’s tuition fees that are paid in respect of the year and that are referred to in paragraph *a* of section 752.0.18.10, and

ii. the amount of the person’s examination fees that are paid in respect of the year and that are referred to in paragraph *b* or *c* of section 752.0.18.10; and

(b) B is the person’s tax otherwise payable for the year under this Part, computed by taking into account only the amounts that the person may deduct under sections 752.0.0.1, 752.0.1, 752.0.7.4, 752.0.10.6, 752.0.11, 752.0.13.1, 752.0.13.1.1, 752.0.14, 752.0.18.3, 752.0.18.8, 776.1.5.0.17, 776.1.5.0.18 and 776.41.14.

For the purposes of subparagraph *b* of the second paragraph, the amount that a person may, if applicable, deduct, for a taxation year, under section 752.0.10.6 or 752.0.11 is deemed to be equal to the portion of that amount that the person claims as a deduction in the person’s fiscal return that the person files for the year under this Part.

A person may transfer an amount for a taxation year, in accordance with the first paragraph, to no more than one individual, provided the aggregate of the amounts described in subparagraph *a* of the second paragraph in respect of the person exceeds \$100.

**“776.41.22.** The amount that an individual referred to in the second paragraph of section 22 or 25 may deduct, under section 776.41.21, from the individual’s tax otherwise payable for a taxation year under this Part may not exceed the portion of that amount that is the proportion referred to in the second paragraph of section 22 or 25.

**“776.41.23.** The following rules apply for the purpose of determining the amount that an individual who was resident in Canada for only part of a taxation year may deduct, under section 776.41.21, from the individual’s tax otherwise payable for the year under this Part in relation to a person:

(a) in respect of any period in the year throughout which the individual was resident in Canada, the individual may deduct under section 776.41.21, in relation to the person, the portion of the amount that the person transfers to the individual for the year, in accordance with the first paragraph of that section, that may reasonably be considered to be entirely attributable to such a period, established as if the period was a whole taxation year; and

(b) in respect of a period in the year that is not referred to in subparagraph a, the amount deductible under section 776.41.21 in relation to the person is to be established as if the period was a whole taxation year.

However, the amount that the individual may deduct for the year under section 776.41.21 in respect of the person, as a consequence of the application of the rules of the first paragraph, must not exceed the amount that would otherwise have been deductible in respect of the person, under that section, if the individual had been resident in Canada throughout the year.

**“776.41.24.** Section 776.41.21 does not apply for the purpose of computing the tax otherwise payable of an individual referred to in the second paragraph of section 26 for a taxation year under this Part.

However, an individual all or substantially all of whose income for the year, determined under section 28, is included in computing the individual’s taxable income earned in Canada for the year, may deduct, from the individual’s tax otherwise payable for the year under this Part, the portion of the amount, determined under section 776.41.21, that is the proportion referred to in the second paragraph of section 26.

**“776.41.25.** The amount that an individual who became a bankrupt in a calendar year may deduct, under section 776.41.21, from the individual’s tax otherwise payable under this Part for each of the individual’s taxation years referred to in section 779 that end in the calendar year, is equal to the portion of that amount, otherwise determined, that is the proportion that the number of days in that taxation year is of the number of days in the calendar year.

**“776.41.26.** An individual who dies in a taxation year may deduct an amount for the year under section 776.41.21 only in computing the individual’s tax payable as specified in the individual’s fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the individual’s legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

An individual may deduct for a taxation year under section 776.41.21 in respect of a person who dies in the year only the amount that is transferred to the individual by means of the prescribed form that is enclosed with the person's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the person's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003."

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

**329.** (1) Sections 776.55.1 and 776.55.2 of the Act are amended by replacing "that ends because of the application of the first paragraph of section 601" in the portion before paragraph *a* by "the end of which coincides with that of a fiscal period of the partnership to which subsection 1 of section 99 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) applies".

(2) Subsection 1 applies to a fiscal period referred to in the third or fourth paragraph of section 7 of the Act, enacted by section 13.

**330.** (1) Section 776.56 of the Act is amended by adding the following paragraph after paragraph *c*:

"(d) this Part is to be read without reference to section 668.7."

(2) Subsection 1 applies from the taxation year 2000.

**331.** (1) Section 776.65 of the Act is amended

(1) by replacing "and 776.1.5.0.18" in subparagraph *a* of the first paragraph by ", 776.1.5.0.18 and 776.41.14";

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

"If the first paragraph applies to an individual referred to in the second paragraph of any of sections 22, 25 and 26, the following rules apply for the purpose of determining such an individual's basic minimum tax deduction for a taxation year:

(a) the amount deducted by the individual under any of sections 752.0.0.1 to 752.0.14 and 752.0.18.3 to 752.0.18.15 in computing the individual's tax payable for the year under this Part must be determined without reference to the proportion referred to in section 752.0.23 or 752.0.25; and

(b) the amount deducted by the individual under section 776.41.14 in computing the individual's tax payable for the year under this Part must be determined without reference to the proportion referred to in section 776.41.16 or 776.41.18."

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

**332.** (1) Section 779 of the Act is amended

(1) by inserting “the second paragraph of sections 776.41.14 and 776.41.21,” after “Chapter V of Title III of Book V,”;

(2) by inserting “, II.11.3, II.11.4” after “II.11.1”;

(3) by replacing “deemed to end” by “deemed, if the bankrupt is an individual other than a testamentary trust, to end”.

(2) Paragraphs 1 and 2 of subsection 1 apply from the taxation year 2007. In addition, when section 779 of the Act applies to the taxation year 2006, it is to be read as if “, II.11.3” was inserted after “II.11.1”.

(3) Paragraph 3 of subsection 1 applies to a taxation year that ends after 19 December 2006.

**333.** (1) Section 782 of the Act is amended by replacing paragraph *d* by the following paragraph:

“(d) in Titles IX to XI of Book V.”

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

**334.** (1) Section 785.0.1 of the Act is amended by replacing “paragraph *b* of section 785.2” in paragraph *c* of the definition of “reportable property” by “subparagraph *b* of the first paragraph of section 785.2”.

(2) Subsection 1 has effect from 20 December 2006.

**335.** (1) Section 785.1 of the Act is amended

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

“(a) if the taxpayer is a corporation and paragraph *a* of subsection 1 of section 128.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) does not apply to the taxpayer in respect of the particular time, the taxpayer’s taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time and to have ended at the time at which the taxpayer’s taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ended;”;

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

“(a.1) if the taxpayer is a trust, other than a testamentary trust, the taxpayer’s taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;

“(a.2) if the taxpayer is a testamentary trust and paragraph *a* of subsection 1 of section 128.1 of the Income Tax Act does not apply to the taxpayer in respect of the particular time, the taxpayer’s taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;”;

(3) by striking out “(Revised Statutes of Canada, 1985, chapter 1, 5th Supplement)” in the portion of paragraph *c.1* before subparagraph *i*.

(2) Subsection 1 applies in respect of a taxpayer that becomes resident in Canada after 19 December 2006.

**336.** (1) Section 785.2 of the Act is amended

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

“(a) if the taxpayer is a corporation and paragraph *a* of subsection 4 of section 128.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) does not apply to the taxpayer in respect of the particular time, the taxpayer’s taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time and to have ended at the time at which the taxpayer’s taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ended;”;

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

“(a.0.1) if the taxpayer is a trust, other than a testamentary trust, the taxpayer’s taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;

“(a.0.2) if the taxpayer is a testamentary trust and paragraph *a* of subsection 4 of section 128.1 of the Income Tax Act does not apply to the taxpayer in respect of the particular time, the taxpayer’s taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;”;

(3) by replacing paragraph *a.1* by the following paragraph:



“(a.1) if the taxpayer is an individual, other than a trust, who carries on a business at the particular time, otherwise than through an establishment in Canada, and paragraph *a.1* of subsection 4 of section 128.1 of the Income Tax Act does not apply to the taxpayer in respect of the particular time, the fiscal period of the business that would otherwise have included the particular time is deemed to end immediately before that time and a new fiscal period is deemed to begin at that time;”;

(4) by replacing “paragraph and paragraph *d*” in the portion of paragraph *b* before subparagraph *i* by “subparagraph and subparagraph *d*”;

(5) by replacing “elects under paragraph *a* of section 785.2.2” in subparagraph *v* of paragraph *b* by “makes an election referred to in subparagraph *a* of the first paragraph of section 785.2.2”;

(6) by replacing “paragraph *b*” in paragraph *c* by “subparagraph *b*”;

(7) by replacing the portion of paragraph *d* before subparagraph *i* by the following:

“(d) despite subparagraphs *b* and *c*, if the taxpayer is an individual, other than a trust, and the taxpayer makes a valid election under paragraph *d* of subsection 4 of section 128.1 of the Income Tax Act after 19 December 2006 in relation to a property described in subparagraph *i* or *ii* of subparagraph *b*,”;

(8) by replacing “subparagraph” in the portion of subparagraph *ii* of paragraph *d* before subparagraph *1* by “subparagraph *ii*”;

(9) by replacing “subparagraph” in the portion of subparagraph *iii* of paragraph *d* before subparagraph *1* by “subparagraph *iii*”;

(10) by replacing “paragraph *b*” in paragraph *d.1* by “subparagraph *b*”;

(11) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *d* of subsection 4 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Paragraphs 1 to 3 of subsection 1 apply in respect of a taxpayer who ceases to be resident in Canada after 19 December 2006.

(3) Paragraphs 4 to 11 of subsection 1 have effect from 20 December 2006.

**337.** (1) Section 785.2.1 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the individual’s tax payable under this Part for the year, determined without reference to the specified tax consequences for the year, section 313.11 and Chapter II.1 of Title VI of Book III; and”.

(2) Subsection 1 applies in respect of a payment to be made on or before a day that is subsequent to 31 December 2007.

**338.** (1) Section 785.2.2 of the Act is amended

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

“(a) subject to subparagraph *b*, subparagraphs *b* and *c* of the first paragraph of section 785.2 do not apply to the individual’s cessation of residence at the emigration time in respect of all properties that were taxable Canadian properties of the individual throughout the period that began at the emigration time and that ends at the particular time, if the individual makes, in relation to the individual’s cessation of residence, a valid election under paragraph *a* of subsection 6 of section 128.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of all the properties;”;

(2) by replacing “under paragraph *a*” in the portion of paragraph *b* before subparagraph *i* by “referred to in subparagraph *a*”;

(3) by replacing “paragraph *b* of section 785.2” in the portion of subparagraph *i* of paragraph *b* before subparagraph 1 by “subparagraph *b* of the first paragraph of section 785.2”;

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

“(2) the amount, if any, by which that reduction exceeds the lesser of the adjusted cost base to the individual of the property immediately before the time of disposition and the particular amount, if any, that the individual specifies in respect of the property, in accordance with subclause II of clause B of subparagraph *i* of paragraph *b* of subsection 6 of section 128.1 of the Income Tax Act, in the election referred to in subparagraph *a* for the purposes of that paragraph *b*, and”;

(5) by replacing “the amount specified by the individual in accordance with” in subparagraph *ii* of paragraph *b* by “the particular amount referred to in”;

(6) by replacing the portion of paragraph *c* before subparagraph *ii* by the following:

“(c) despite paragraph *c* of section 785.1 and subparagraph *b* of the first paragraph of section 785.2, if the individual makes a valid election under paragraph *c* of subsection 6 of section 128.1 of the Income Tax Act after

19 December 2006 in relation to each property that the individual owned throughout the period that began at the emigration time and that ends at the particular time and that is deemed by paragraph *b* of section 785.1 to have been disposed of because the individual became resident in Canada, the individual's proceeds of disposition at the time of disposition, within the meaning assigned by subparagraph *b* of the first paragraph of section 785.2, and the individual's cost of acquiring the property at the particular time, are deemed to be those proceeds and that cost, determined without reference to this subparagraph, minus the least of

i. the amount that would, but for this subparagraph *c*, have been the individual's gain from the disposition of the property deemed by subparagraph *b* of the first paragraph of section 785.2 to have occurred,";

(7) by replacing subparagraph iii of paragraph *c* by the following subparagraph:

"iii. the amount that the individual specifies, in accordance with subparagraph iii of paragraph *c* of subsection 6 of section 128.1 of the Income Tax Act, in the election for the purposes of that paragraph *c*; and";

(8) by replacing "under this section" in the portion of paragraph *d* before subparagraph i by "referred to in this paragraph";

(9) by adding the following paragraph:

"Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006."

(2) Subsection 1 has effect from 20 December 2006.

**339.** (1) Section 785.2.3 of the Act is amended

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

**"785.2.3.** If an individual, other than a trust, becomes resident in Canada at a particular time in a taxation year, owns at the particular time a property that the individual last acquired on a trust distribution to which section 688 would, but for section 692, have applied and at a time (in this section referred to as the "distribution time") that was after 1 October 1996 and before the particular time, and was a beneficiary under the trust at the last time, before the particular time, at which the individual ceased to be resident in Canada, the following rules apply:";

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

"(a) subject to subparagraphs *b* and *c*, section 688.1 does not apply to the distribution in relation to all properties acquired by the individual at the distribution time that were taxable Canadian properties of the individual

throughout the period that began at the distribution time and that ends at the particular time, if the individual and the trust make, in relation to the distribution, a valid election under paragraph *d* of subsection 7 of section 128.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of all the properties;”;

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

“(b) if the application of section 238.4 would reduce the amount that would, but for that section and this section, have been the individual’s loss from the disposition of a property in respect of which an election referred to in subparagraph *a* is made, subparagraph *c* applies in respect of the individual, the trust and the property, if the individual”;

(4) by replacing “l’attribution” in subparagraphs *i* to *iii* of paragraph *b* in the French text by “la distribution”;

(5) by replacing “where this paragraph” in the portion of paragraph *c* before subparagraph *i* by “if this subparagraph”;

(6) by replacing the portion of subparagraph *i* of paragraph *c* before subparagraph 1 by the following:

“i. despite subparagraph *a* of the first paragraph of section 688.1, the trust is deemed to have disposed of the property at the distribution time for proceeds of disposition equal to the aggregate of”;

(7) by replacing “l’attribution” in subparagraph 1 of subparagraph *i* of paragraph *c* in the French text by “la distribution”;

(8) by replacing subparagraph 2 of subparagraph *i* of paragraph *c* by the following subparagraph:

“(2) the amount, if any, by which the reduction under section 238.4 described in subparagraph *b* exceeds the lesser of the cost amount to the trust of the property immediately before the distribution time and the particular amount, if any, which the individual and the trust specify in respect of the property, in accordance with subclause II of clause B of subparagraph *i* of paragraph *f* of subsection 7 of section 128.1 of the Income Tax Act, in the election referred to in subparagraph *a* for the purposes of that paragraph *f*, and”;

(9) by replacing subparagraph *ii* of paragraph *c* by the following subparagraph:

“ii. despite subparagraph *b* of the first paragraph of section 688.1, the individual is deemed to have acquired the property at the distribution time at a cost equal to the amount, if any, by which the amount otherwise determined

under subparagraph *b* of the first paragraph of section 688 exceeds the lesser of the reduction under section 238.4 described in subparagraph *b* and the particular amount referred to in subparagraph 2 of subparagraph *i*”;

(10) by replacing the portion of paragraph *d* before subparagraph *ii* by the following:

“(d) despite subparagraphs *a* and *b* of the first paragraph of section 688.1, if the individual and the trust make a valid election under paragraph *g* of subsection 7 of section 128.1 of the Income Tax Act after 19 December 2006 in respect of each property that the individual owned throughout the period that began at the distribution time and that ends at the particular time and that is deemed by paragraph *b* of section 785.1 to have been disposed of because the individual became resident in Canada, the trust’s proceeds of disposition of the property under subparagraph *a* of the first paragraph of section 688.1 at the distribution time, and the individual’s cost of acquiring the property at the particular time, are deemed to be those proceeds and that cost, determined without reference to this subparagraph, minus the least of

i. the amount that would, but for this subparagraph *d*, have been the trust’s gain from the disposition of the property deemed by subparagraph *a* of the first paragraph of section 688.1 to have occurred,”;

(11) by replacing subparagraph *iii* of paragraph *d* by the following subparagraph:

“iii. the amount that the individual and the trust specify, in accordance with subparagraph *iii* of paragraph *g* of subsection 7 of section 128.1 of the Income Tax Act, in the election for the purposes of that paragraph *g*”;

(12) by replacing paragraph *e* by the following paragraph:

“(e) if the trust ceases to exist before the individual’s filing-due date for the individual’s taxation year that includes the particular time and if, in accordance with subparagraph *i* of paragraph *h* of subsection 7 of section 128.1 of the Income Tax Act, the individual makes an election or specifies an amount, after 19 December 2006, in accordance with that subsection 7, the individual and the trust are solidarily liable for any amount payable under this Part by the trust as a result of the election or specification; and”;

(13) by replacing the portion of paragraph *f* before subparagraph *i* by the following:

“(f) despite sections 1010 to 1011, such assessment of tax payable under this Part by the trust or the individual for any year that is before the year that includes the particular time and that is not before the year that includes the distribution time shall be made by the Minister as is necessary to give effect to an election referred to in this paragraph, except that such assessments are not to affect the computation of”;

(14) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 7 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Paragraphs 2, 3, 5, 6 and 8 to 14 of subsection 1 have effect from 20 December 2006. However, when section 785.2.3 of the Act applies before 15 May 2009, it is to be read as if “la distribution” wherever it appears in the following provisions of the first paragraph in the French text was replaced by “l’attribution”:

- subparagraph *a*;
- the portion of subparagraph *i* of subparagraph *c* before subparagraph 1;
- subparagraph 2 of subparagraph *i* of subparagraph *c*;
- subparagraph *ii* of subparagraph *c*;
- the portion of subparagraph *d* before subparagraph *i*; and
- the portion of subparagraph *f* before subparagraph *i*.

**340.** (1) Section 785.2.4 of the Act is amended

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

“**785.2.4.** Except for the purposes of subparagraph *c* of the first paragraph of section 785.2, if an individual, other than a trust, is deemed under subparagraph *b* of that paragraph to have disposed of a capital property at a particular time after 1 October 1996, disposed of the capital property at a later time at which the capital property was a taxable Canadian property of the individual, and makes a valid election under subsection 8 of section 128.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the capital property, there must be deducted from the individual’s proceeds of disposition of the capital property at the particular time, and added to the individual’s proceeds of disposition of the capital property at the later time, an amount equal to the least of

(*a*) the amount specified in the election in respect of the capital property;”;

(2) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 8 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**341.** (1) Section 785.5 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) funds are deemed to have a taxation year that begins immediately after the acquisition time and the last taxation year of funds that are trusts, begun before the transfer time, is deemed to end at the acquisition time;”.

(2) Subsection 1 applies in respect of a disposition that occurs after 19 December 2006.

**342.** (1) Section 785.6 of the Act is amended

(1) by replacing “réfère le paragraphe *c* de l’article 785.5” in the portion of the first paragraph before subparagraph *a* in the French text by “le paragraphe *c* de l’article 785.5 fait référence”;

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

“(b) subject to the third paragraph and if the conditions set out in the second paragraph are met for the transferor and for the transferee, the lesser of”;

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

“The conditions referred to in subparagraph *b* of the first paragraph are as follows:”;

(4) by striking out the third paragraph.

(2) Paragraphs 2 to 4 of subsection 1 apply in respect of a disposition that occurs after 20 December 2006.

**343.** (1) Section 798 of the Act is replaced by the following section:

“**798.** For the purposes of this Title, a member of a credit union means

(a) a person who is recorded as a member on the records of the credit union and is entitled to participate in and use the services of the credit union; and

(b) a registered retirement savings plan, a registered retirement income fund or a registered education savings plan, the annuitant or subscriber under which is a person described in paragraph *a*.”

(2) Subsection 1 applies from the taxation year 1996.

**344.** (1) Sections 803.1 and 803.2 of the Act are replaced by the following sections:

**“803.1.** If a credit union makes, in relation to a taxation year, a valid election under subsection 5.1 of section 137 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 to allocate an amount to another credit union that is one of its members, the credit union is deemed to have allocated to the other credit union in respect of the year such portion of each of the following amounts as may reasonably be considered to be the other credit union’s share:

(a) the lesser of the aggregate of the amounts described in paragraph *a* of that subsection 5.1 in relation to the year and the aggregate of all amounts each of which is a taxable dividend received by the credit union from a taxable Canadian corporation in the year;

(b) the lesser of the excess amount determined under paragraph *b* of that subsection 5.1 in relation to the year and the amount by which the aggregate of all amounts each of which is the amount by which the credit union’s capital gain from the disposition of a property in the year exceeds its taxable capital gain from the disposition, exceeds the aggregate of all amounts each of which is the amount by which the credit union’s capital loss from the disposition of a property in the year exceeds its allowable capital loss from the disposition; and

(c) the lesser of the aggregate of the amounts described in paragraph *c* of that subsection 5.1 in relation to the year and the aggregate of the amounts deductible under paragraph *c* of section 803.2 in computing the credit union’s taxable income for the year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5.1 of section 137 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

**“803.2.** Despite any other provision of this Part, if an election referred to in the first paragraph of section 803.1 has been made by a credit union in relation to a taxation year, the following rules apply:

(a) the credit union shall deduct from the amount that would, but for this section, be deductible in computing its taxable income for the year under sections 738 to 745, any amount determined in respect of the year, for members to which the election applies, under the first paragraph of section 803.1 in relation to the amounts referred to in subparagraph *a* of that paragraph;

(b) the credit union shall include in computing its income for the year any amount determined in respect of the year, for members to which the election applies, under the first paragraph of section 803.1 in relation to the amounts referred to in subparagraphs *b* and *c* of that paragraph; and



(c) each member to which the election applies and in respect of which an amount is determined under the first paragraph of section 803.1 may deduct that amount in computing its taxable income for its taxation year that includes the last day of the credit union's taxation year in respect of which the amount was so determined.”

(2) Subsection 1 has effect from 20 December 2006.

**345.** (1) Section 808 of the Act is amended by replacing the second paragraph by the following paragraph:

“The following amounts must not be included in computing the income of a deposit insurance corporation for a taxation year:

(a) any premium or assessment received, or receivable, by the corporation in the year from a member institution; and

(b) any amount received by the corporation in the year from another deposit insurance corporation to the extent that that amount can reasonably be considered to have been paid out of amounts referred to in paragraph *a* received by that other deposit insurance corporation in any taxation year.”

(2) Subsection 1 applies from the taxation year 1998.

**346.** (1) Section 813 of the Act is amended

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

“**813.** No deposit insurance corporation may deduct an amount in computing its income in respect of”;

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

“(c.1) any amount paid by it to another deposit insurance corporation that is, because of subparagraph *b* of the second paragraph of section 808, not included in computing the income of that other deposit insurance corporation; or”.

(2) Paragraph 2 of subsection 1 applies from the taxation year 1998.

**347.** (1) Section 824 of the Act is replaced by the following section:

“**824.** Despite any other provision of this Part, the following rules apply to an insurer:

(a) if a life insurer resident in Canada carries on an insurance business in Canada and elsewhere in a taxation year,

i. its income or loss for the year from carrying on an insurance business is the amount of its income or loss for the year from carrying on the insurance business in Canada,

ii. in computing the insurer's income or loss for the year from the insurance business carried on by it in Canada, no amount is to be included in respect of the insurer's gross investment revenue for the year derived from property used or held by it in the course of carrying on an insurance business that is not designated insurance property for the taxation year of the insurer, and

iii. in computing the insurer's taxable capital gains or allowable capital losses for the year from dispositions of capital property (in this subparagraph referred to as "insurance business property") that, at the time of the disposition, was used or held by the insurer in the course of carrying on an insurance business,

(1) there is to be included each taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was a designated insurance property for the taxation year of the insurer, and

(2) there is not to be included any taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was not a designated insurance property for the taxation year of the insurer; and

(b) if an insurer not resident in Canada carries on an insurance business in Canada in a taxation year,

i. its income or loss for the year from carrying on an insurance business is the amount of its income or loss for the year from carrying on the insurance business in Canada,

ii. in computing the insurer's income or loss for the year from the insurance business carried on by it in Canada, no amount is to be included in respect of the insurer's gross investment revenue for the year derived from property used or held by it in the course of carrying on an insurance business that is not designated insurance property for the taxation year of the insurer, and

iii. in computing the insurer's taxable capital gains or allowable capital losses for the year from dispositions of capital property (in this subparagraph referred to as "insurance business property") that, at the time of the disposition, was used or held by the insurer in the course of carrying on an insurance business,

(1) there is to be included each taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was a designated insurance property for the taxation year of the insurer, and

(2) there is not to be included any taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was not a designated insurance property for the taxation year of the insurer.”

(2) Subsection 1 applies to a taxation year that ends after 31 December 1999.

**348.** (1) Section 832.3 of the Act is amended

(1) by replacing “of subparagraph *d* of the second paragraph” in subparagraph *b* of the first paragraph by “of the election referred to in subparagraph *d*”;

(2) by striking out subparagraph *d* of the second paragraph;

(3) by replacing subparagraphs *e* to *f.1* of the second paragraph by the following subparagraphs:

“(e) for the purpose of determining the amount of gross investment revenue required by the first paragraph of section 825 to be included in computing the transferor’s income for the transferor’s particular taxation year that ended immediately before the time referred to in subparagraph *a* of the first paragraph and of determining its gains and losses from its designated insurance property for its subsequent taxation years, the transferor is deemed to have transferred the business referred to in subparagraph *a* of the first paragraph, the property referred to in subparagraph *b* of that paragraph and the obligations referred to in subparagraph *c* of that paragraph to the transferee on the last day of the particular taxation year;

“(f) for the purpose of determining the income of the transferor and the transferee for their taxation years following their particular taxation years that ended immediately before the time referred to in subparagraph *a* of the first paragraph, the amounts deducted by the transferor as reserves under sections 140, 140.1 and 140.2, the second paragraph of section 152 and paragraphs *a*, *a.1* and *d* of section 840 in its particular taxation year in respect of the transferred property referred to in subparagraph *b* of the first paragraph or the obligations referred to in subparagraph *c* of that paragraph, are deemed to have been deducted by the transferee, and not the transferor, for its particular taxation year;

“(f.1) for the purpose of determining the income of the transferor and the transferee for their taxation years following their particular taxation years that ended immediately before the time referred to in subparagraph *a* of the first paragraph, the amounts included under paragraph *e.1* of section 87 and paragraph *a.1* of section 844 in computing the transferor’s income for its particular taxation year in respect of the insurance policies of the business referred to in subparagraph *a* of the first paragraph are deemed to have been included in computing the income of the transferee, and not of the transferor, for their particular taxation years;”;

(4) by replacing “referred to in subparagraph *d*” in the following provisions of the second paragraph by “that ended immediately before the time referred to in subparagraph *a* of the first paragraph”:

- subparagraphs *g* and *h*;
- the portion of subparagraph *i* before subparagraph 1.

(2) Subsection 1 applies in respect of the cessation of the carrying on of all or substantially all of an insurance business that occurs after 19 December 2006.

**349.** (1) Section 832.6 of the Act is amended by striking out paragraph *d*.

(2) Subsection 1 applies to a taxation year that ends after 31 December 1999.

**350.** (1) Section 832.9 of the Act is amended by replacing “of subparagraph *d* of the second paragraph of section 832.3” in subparagraph *i* of subparagraph *b* of the first paragraph by “of the election referred to in subparagraph *d*”.

(2) Subsection 1 applies in respect of the cessation of the carrying on of all or substantially all of an insurance business that occurs after 19 December 2006.

**351.** (1) Section 832.25 of the Act is amended by replacing “, 106.4, 158.1 to 158.14, 175.9” in the portion before paragraph *a* by “and 106.4, Division X.1 of Chapter III of Title III of Book III, sections 175.9”.

(2) Subsection 1 has effect from 18 September 2001.

**352.** (1) Section 844.4 of the Act is amended

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

“*ii.* where the insurer and the transferee make a valid election under subsection 4.5 of section 138 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to the property, be added in computing”;

(2) by adding the following paragraph:

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4.5 of section 138 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**353.** (1) Section 851.20 of the Act is replaced by the following section:

**“851.20.** If, at a particular time, the holder of a segregated fund policy withdraws all or part of the holder’s interest in that policy, and the trustee of the segregated fund trust relating to that policy makes, in relation to the withdrawal, a valid election under subsection 4 of section 138.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of a capital property of the trust, the capital property is deemed to have been disposed of on the date designated by the trustee in respect of the capital property in the election for proceeds of disposition equal to the amount designated by the trustee in respect of the capital property in the election in accordance with that subsection 4, which amount is to be reduced to the greater of or increased to the lesser of, as the case may be, the fair market value of the capital property on the date of the disposition and the adjusted cost base to the trust of the capital property on that date, and to have been reacquired by the trust immediately after at a cost equal to those proceeds.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 138.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**354.** (1) Section 851.21 of the Act is amended

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

**“851.21.** If the trustee of a segregated fund trust has made an election referred to in the first paragraph of section 851.20, the following rules apply:”;

(2) by replacing “in the said subsection” and “referred to therein” in paragraph *a* by “in that first paragraph” and “referred to in that first paragraph”, respectively;

(3) by replacing “referred to therein” in paragraph *b* by “referred to in that paragraph”;

(4) by striking out “être” in paragraph *c* in the French text and “et” at the end of that paragraph in the French text;

(5) by striking out “être” in paragraph *d* in the French text.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 20 December 2006.

**355.** (1) Section 851.22.23 of the Act is amended

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

“(a) if the taxpayer is a corporation and if, but for this paragraph, no taxation year of the taxpayer would end immediately before the particular time, the taxation year of the taxpayer that would otherwise have included the particular time is deemed to have ended immediately before that time and a new taxation year of the taxpayer is deemed to have begun at the particular time and to have ended at the time at which the taxpayer’s taxation year (determined for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement)) that includes the particular time, ended;”;

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

“(a.1) if the taxpayer is a trust and if, but for this paragraph, no taxation year of the taxpayer would end immediately before the particular time, except for the purposes of section 1120.0.1, the taxation year of the taxpayer that would otherwise have included the particular time is deemed to have ended immediately before that time and a new taxation year of the taxpayer is deemed to have begun at the particular time;”;

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

“(b) if the taxpayer becomes a financial institution, the taxpayer is deemed to have disposed, immediately before the end of its particular taxation year that ends immediately before the particular time, of each of the following properties held by the taxpayer for proceeds of disposition equal to the property’s fair market value at the time of that disposition:

- i. a specified debt obligation, or
- ii. a mark-to-market property of the taxpayer for the particular taxation year or for the taxpayer’s taxation year that includes the particular time;”;

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

“(d) the taxpayer is deemed to have reacquired, at the end of its taxation year that ends immediately before the particular time, each property deemed under paragraph *b* or *c* to have been disposed of by the taxpayer, at a cost equal to the proceeds of disposition of the property.”

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of a change in status of a taxpayer that occurs after 19 December 2006.

(3) Paragraphs 3 and 4 of subsection 1 apply to a taxation year that ends after 31 December 1998.

**356.** (1) Section 851.22.38 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 “paragraph *a* of section 279” in subparagraphs 2 and 3 of subparagraph iv of subparagraph *b* by “subparagraph *a* of the first paragraph of section 279”;

(3) by replacing “claimed as” and “claimed by” in subparagraph 3 of subparagraph iv of subparagraph *b* by “claimed as a deduction on account of” and “claimed as a deduction by”, respectively.

(2) Paragraph 2 of subsection 1 has effect from 20 December 2006.

**357.** Section 851.22.42 of the Act is amended by replacing “subsection 2 thereof” in paragraph *b* by “subparagraph *d* of its second paragraph”.

**358.** (1) Section 851.27 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) under paragraph *a* of section 657 and section 657.1, except to the extent that a portion of the trust’s income, determined without reference to that paragraph *a* and section 657.1, is allocated to the members of the congregation in accordance with sections 851.28 to 851.30.”

(2) Subsection 1 has effect from 20 December 2006.

**359.** (1) Sections 851.28 and 851.29 of the Act are replaced by the following sections:

“**851.28.** The rules set out in sections 851.30 and 851.31 apply if a trust referred to in section 851.25, in respect of a congregation, makes a valid election under subsection 2 of section 143 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 for a taxation year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 143 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

“**851.29.** The election referred to in the first paragraph of section 851.28 for a particular taxation year, in respect of a congregation, is not binding on the Minister unless it is binding on the Minister of National Revenue and all taxes, interest and penalties payable under this Part, as a consequence of the application of sections 851.28, 851.30 and 851.31 to the congregation for preceding taxation years, were paid at or before the end of the particular taxation year.”

(2) Subsection 1 has effect from 20 December 2006.

**360.** (1) Section 851.30 of the Act is amended

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

**“851.30.** For the purposes of paragraph *a* of section 657 and sections 657.1 and 663, in relation to a trust referred to in section 851.25, in respect of a congregation that, for a taxation year, makes the election referred to in the first paragraph of section 851.28, and subject to the third paragraph, the amount payable in the taxation year to a particular participating member of the congregation out of the income of the trust, determined without reference to paragraph *a* of section 657 and section 657.1, is the amount determined by the formula

$A \times B/C$ .”;

(2) by replacing “to paragraphs *a* and *b* of section 657 and” in subparagraph *a* of the second paragraph by “to paragraph *a* of section 657, section 657.1 and”;

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

“(b) B is the amount determined for the year in respect of the particular participating member, under paragraph *a* of subsection 2 of section 143 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), because of the election; and

“(c) C is the value, in respect of the trust for the year, of A in the formula in paragraph *a* of subsection 2 of section 143 of the Income Tax Act.”;

(4) by striking out subparagraphs *d* to *f* of the second paragraph;

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

“However, when C in the formula in the first paragraph is, in respect of the trust for the year, an amount equal to zero, the amount determined by that formula for the year in respect of the particular participating member is deemed to be equal to zero.”

(2) Subsection 1 has effect from 20 December 2006.

**361.** (1) Section 851.31 of the Act is replaced by the following section:

**“851.31.** If, for a taxation year, a trust referred to in section 851.25, in respect of a congregation, makes the election referred to in the first paragraph of section 851.28, the member of each family at the end of the taxation year (referred to as a “designated member” for the purposes of subsection 2 of



section 143 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the trust for the year) is deemed to have supported the other members of the family during the year and the other members of the family are deemed to have been wholly dependent on the designated member for support during the year.”

(2) Subsection 1 has effect from 20 December 2006.

**362.** (1) Section 851.32 of the Act is repealed.

(2) Subsection 1 has effect from 20 December 2006.

**363.** (1) Section 851.33 of the Act is amended

(1) by replacing “the fair market value of a gift made in a taxation year by an *inter vivos* trust referred to in section 851.25 in respect of a congregation would, but for this section, be included” in the portion of the first paragraph before subparagraph *a* by “the eligible amount of a gift made in a taxation year by an *inter vivos* trust referred to in section 851.25 in respect of a congregation would, but for this section, be included”;

(2) by replacing “For the purposes of sections 752.0.10.1 to 752.0.10.18, if” and “and the trust so elects in its fiscal return under this Part for the year, the following rules apply” in the portion of the first paragraph before subparagraph *a* by “If” and “and the trust makes a valid election under subsection 3.1 of section 143 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the gift, the following rules apply”, respectively;

(3) by replacing “the fair market value of which is” in the portion of subparagraph *b* of the first paragraph before the formula by “the eligible amount of which is”;

(4) by replacing “the fair market value” in subparagraph *a* of the second paragraph by “the eligible amount”;

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

“(b) B is the value, in respect of the member for the year, of B in the formula in paragraph *b* of subsection 3.1 of section 143 of the Income Tax Act, in relation to the election; and

“(c) C is the value, in respect of the trust for the year, of C in the formula in paragraph *b* of subsection 3.1 of section 143 of the Income Tax Act.”;

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

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3.1 of section 143 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Paragraphs 1, 3 and 4 of subsection 1 apply in respect of a gift made after 20 December 2002.

(3) Paragraphs 2, 5 and 6 of subsection 1 have effect from 20 December 2006.

**364.** Section 851.34 of the Act is amended, in the French text,

(1) by replacing “réputés être” in paragraph *b* by “réputés”;

(2) by striking out “être” in paragraphs *c* to *f*;

(3) by replacing “attribués” in paragraph *d* by “distribués”.

**365.** Section 851.35 of the Act is amended by replacing “attribue” in the French text by “distribue”.

**366.** Section 851.36 of the Act is amended, in the French text,

(1) by replacing “attribué” in the portion of the first paragraph before subparagraph *a* by “distribué”;

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

**367.** Section 851.37 of the Act is amended by replacing “attribué” in the portion before paragraph *a* in the French text by “distribué”.

**368.** (1) The heading of Title VIII of Book VI of Part I of the Act is replaced by the following heading:

“COST OF A TAX SHELTER INVESTMENT AND LIMITED-RECOURSE DEBT RELATING TO A GIFTING ARRANGEMENT”.

(2) Subsection 1 has effect from 19 February 2003.

**369.** (1) The heading of Chapter II of Title VIII of Book VI of Part I of the Act is replaced by the following heading:

“COMPUTATION OF THE COST OF A TAX SHELTER INVESTMENT AND OF A LIMITED-RECOURSE DEBT RELATING TO A GIFTING ARRANGEMENT”.

(2) Subsection 1 has effect from 19 February 2003.

**370.** (1) The Act is amended by inserting the following section after section 851.41:

“**851.41.1.** The limited-recourse debt in respect of a gift of a taxpayer, at the time the gift is made, is equal to the aggregate of

(a) each limited-recourse amount at that time of the taxpayer and of any other taxpayer not dealing at arm’s length with the taxpayer, that can reasonably be considered to relate to the gift;

(b) each limited-recourse amount at that time, determined under this Title when it is applied to any other taxpayer who deals at arm’s length with and holds, directly or indirectly, an interest in the taxpayer, that can reasonably be considered to relate to the gift; and

(c) each amount that is the unpaid amount at that time of any other indebtedness, of any taxpayer referred to in paragraph *a* or *b*, that can reasonably be considered to relate to the gift if there is a guarantee, security or similar covenant in respect of that or any other indebtedness.”

(2) Subsection 1 applies in respect of a gift made after 18 February 2003.

**371.** (1) Section 851.48 of the Act is amended by replacing the portion before paragraph *a* by the following:

“**851.48.** For the purposes of this Title, the unpaid principal of an indebtedness that relates to a taxpayer’s expenditure or gift is deemed to be a limited-recourse amount relating to the expenditure or gift, if it may reasonably be considered that information relating to the indebtedness is available outside Canada and the Minister is not satisfied that the unpaid principal of the indebtedness is not a limited-recourse amount unless”.

(2) Subsection 1 applies in respect of an expenditure or gift made after 18 February 2003.

**372.** (1) Section 853 of the Act is replaced by the following section:

“**853.** For the purposes of section 852, if the terms of an arrangement under which an employer makes payments to a trustee specifically provide that the payments are to be made out of profits, the arrangement is deemed, if the employer makes a valid election under subsection 10 of section 144 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in respect of the arrangement, to be an arrangement under which payments computed by reference to the employer’s profits are to be made.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 10 of section 144 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**373.** (1) Sections 865 and 866 of the Act are replaced by the following sections:

“**865.** For the purposes of sections 772.2 to 772.13, if, in relation to a taxation year, a trust governed by a profit sharing plan designates, after 19 December 2006 and in accordance with paragraph *a* of subsection 8.1 of section 144 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), an amount of income in respect of a particular employee who is a beneficiary under the plan, the lesser of that amount and the portion, described in section 866, of the income of the trust for the year from sources that are other than a business carried on by it and that are situated in a foreign country, is deemed to be, for the particular employee, income from such sources for the year.

Chapter V.2 of Title II of Book I applies in relation to a designation made under paragraph *a* of subsection 8.1 of section 144 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

“**866.** The portion of income to which the first paragraph of section 865 refers is the portion that is not deemed under that paragraph to be income of an employee other than the particular employee and that may reasonably be considered, having regard to the circumstances and terms of the trust arrangement, as being included in

(a) an amount included under section 859 in computing the income of the particular employee; or

(b) the amount by which the aggregate of every capital gain of the trust that is deemed to be a capital gain of the particular employee under section 860, exceeds the aggregate of every capital loss of the trust that is deemed to be a capital loss of the particular employee under that section.”

(2) Subsection 1 has effect from 20 December 2006.

**374.** (1) Section 867 of the Act is amended by replacing “contemplated by section 865” by “referred to in the first paragraph of section 865”.

(2) Subsection 1 has effect from 20 December 2006.

**375.** (1) Section 888.3 of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2007. However, it does not apply in respect of an annuity the annuitant of which has reached 69 years of age before the taxation year 2007.

**376.** (1) The Act is amended by inserting the following section after section 888.3:

**“388.4.** If an amendment is made to an annuity contract to which subparagraph vi of paragraph *k* of subsection 2 of section 147 of the English version of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) applies, the sole effect of which is to defer annuity commencement to not later than the end of the year in which the individual in respect of whom the annuity contract was purchased reaches 71 years of age, the annuity contract is deemed not to have been disposed of by the individual.”

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

**377.** (1) Section 890.0.1 of the Act is amended

(1) by inserting “or funds” after “plans” in the portion of subparagraph *d* of the first paragraph before subparagraph i;

(2) by adding the following subparagraph after subparagraph iii of subparagraph *d* of the first paragraph:

“iv. a registered retirement income fund under which the individual is the annuitant within the meaning of paragraph *d* of section 961.1.5.”;

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

“Le particulier auquel le paragraphe *b* du premier alinéa fait référence est un particulier qui.”;

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

“(b) who was the spouse or former spouse of the employee at the time of the employee’s death and who is entitled to the amount referred to in subparagraph *b* of that paragraph

i. as a consequence of the death of an employee or former employee referred to in subparagraph *a*, or

ii. under a decree, an order or a judgment of a competent tribunal or under a written separation agreement relating to a partition of property between the employee or former employee and the individual in settlement of rights arising out of, or on the breakdown of, their marriage.”

(2) Paragraphs 1, 2 and 4 of subsection 1 apply in respect of a transfer that occurs after 20 March 2003.

**378.** (1) Section 890.15 of the Act is amended by inserting the following paragraph after paragraph *c.1* of the definition of “trust”:

“(c.2) the payment of tax under any of sections 1129.66.2, 1129.66.4 and 1129.66.5, including the payment of an amount related to that tax;”.

(2) Subsection 1 has effect from 21 February 2007.

**379.** (1) Section 890.15.1 of the Act is replaced by the following section:

**“890.15.1.** In this Title, a contribution to an education savings plan includes neither an amount paid into the plan under the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) or a program administered in accordance with an agreement entered into under section 12 of that Act, nor an amount deemed under section 1029.8.128 to be an overpayment of the trust’s tax payable.”

(2) Subsection 1 has effect from 21 February 2007.

**380.** (1) Section 895 of the Act is amended

(1) by replacing “in a prescribed educational program as a full-time or part-time student” in subparagraph 1 of subparagraph ii of paragraph *f.1* by “as a student in a prescribed educational program”;

(2) by replacing subparagraph 2 of subparagraph ii of paragraph *f.1* by the following subparagraph:

“(2) 16 years of age or over and enrolled as a student in a prescribed educational program at a prescribed postsecondary educational institution, and”;

(3) by replacing subparagraph iii of paragraph *f.1* by the following subparagraph:

“iii. any of the following situations apply:

(1) the individual satisfies, at that time, the condition set out in subparagraph 1 of subparagraph ii and has satisfied that condition throughout at least 13 consecutive weeks in the 12-month period that ends at that time, or the total of the payment and all other educational assistance payments made under a registered education savings plan of the promoter to or on behalf of the individual in the 12-month period that ends at that time does not exceed \$5,000 or such greater amount as the Minister responsible for the administration of the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) approves in writing in respect of the individual, or

(2) the individual satisfies, at that time, the condition set out in subparagraph 2 of subparagraph ii and the total of the payment and all other educational assistance payments made under a registered education savings

plan of the promoter to or on behalf of the individual in the 13-week period that ends at that time does not exceed \$2,500 or such greater amount as the Minister responsible for the administration of the Canada Education Savings Act approves in writing in respect of the individual;”;

(4) by striking out paragraph *j*.

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

(3) Paragraph 4 of subsection 1 applies in respect of a contribution made after 31 December 2006.

**381.** (1) Section 895.0.2 of the Act is amended by replacing “subparagraph iii” by “subparagraph 1 of subparagraph iii”.

(2) Subsection 1 has effect from 1 January 2007.

**382.** (1) Section 898.1 of the Act is replaced by the following section:

**“398.1.** If, on a particular day, a registered education savings plan is revocable or ceases to comply with any provision of the plan or with the registering conditions set out in section 895 or a person fails to comply with a condition or obligation imposed under Division II.21 of Chapter III.1 of Title III of Book IX, the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) or a program administered in accordance with an agreement entered into under section 12 of that Act, that applies in respect of a registered education savings plan, the Minister may send written notice to the promoter of the plan that the Minister proposes to revoke the registration of the plan as of the date specified in the notice, which date must not be earlier than the particular day.”

(2) Subsection 1 has effect from 21 February 2007.

**383.** (1) Section 935.1 of the Act is amended by striking out the definition of “quarter” in the first paragraph.

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

**384.** (1) Section 935.8 of the Act is repealed.

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

**385.** (1) Section 961.1.5.0.1 of the Act is amended by replacing the portion of the first paragraph before the formula by the following:

**“961.1.5.0.1.** The amount to which paragraph *c* of section 961.1.5 refers in respect of a retirement income fund is equal to zero for the year in which the arrangement relating to the fund is made and, for each subsequent year, to the amount determined by the formula”.

(2) Subsection 1 applies from the taxation year 2007. However, when section 961.1.5.0.1 of the Act applies

(1) to the taxation year 2007, the portion of the first paragraph of that section before the formula is to be read as follows, except in respect of section 961.17.0.1 of the Act, paragraph *j* of the definition of “remuneration” in section 1015R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) and subparagraph *a* of the second paragraph of section 1015R11.0.1 of that regulation:

**“961.1.5.0.1.** The amount to which paragraph *c* of section 961.1.5 refers in respect of a retirement income fund for a year is equal

(*a*) to zero if the year is the year in which the arrangement relating to the fund is made or is the year 2007 and the individual who was the annuitant under the fund on 1 January 2007 reached 69 years of age or 70 years of age in the year 2006; and

(*b*) in any other case, to the amount determined by the formula”; and

(2) to the taxation year 2008, the portion of the first paragraph of that section before the formula is to be read as follows, except in respect of section 961.17.0.1 of the Act, paragraph *j* of the definition of “remuneration” in section 1015R1 of the Regulation respecting the Taxation Act and subparagraph *a* of the second paragraph of section 1015R11.0.1 of that regulation:

**“961.1.5.0.1.** The amount to which paragraph *c* of section 961.1.5 refers in respect of a retirement income fund for a year is equal

(*a*) to zero if the year is the year in which the arrangement relating to the fund is made or is the year 2008 and the individual who was the annuitant under the fund on 1 January 2008 reached 70 years of age in the year 2007; and

(*b*) in any other case, to the amount determined by the formula”.

**386.** (1) Section 961.15 of the Act is replaced by the following section:

**“961.15.** Despite section 961.12, a trust governed by a registered retirement income fund that holds, at any time in a taxation year, a property that is not a qualified investment for the purposes of section 146.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), shall pay tax under this Part on the amount that its taxable income for the year would be if the trust had no incomes or losses from sources other than the property that is not a qualified investment for the purposes of that Act and no capital gains or capital losses other than from the disposition of that property.”

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



**387.** (1) Section 965.0.17.3 of the Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) to defer annuity commencement to not later than the end of the year in which the individual in respect of whom the annuity contract was purchased reaches 71 years of age; or”.

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

**388.** (1) Section 965.0.18 of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2007. However, it does not apply in respect of an annuity the annuitant of which has reached 69 years of age before the taxation year 2007.

**389.** (1) Section 965.91 of the Act is replaced by the following section:

“**965.91.** For the purposes of paragraph *d* of section 965.90, the following rules apply:

(a) a 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 (chapter V-1.1) nor persons related to such insiders, if

i. a class of shares of its capital stock is listed on a Canadian stock exchange throughout the 12-month period preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, and

ii. a person, other than such an insider or a person related to such an insider, or a partnership provides the corporation, in the period described in subparagraph i, with services under a service contract and the corporation would normally require the services of more than five full-time employees if those services were not provided; and

(b) if the favourable advance ruling referred to in paragraph *e* of section 965.74 or paragraph *c* of section 965.76 confirms that the corporation making a public share issue is carrying on a business on a seasonal basis and that the continuous period during which the business is carried on is comparable to that of other businesses operating in the same sector of activity, paragraph *d* of section 965.90 is to be read as if “throughout the preceding 12 months” was replaced by “throughout a period of seasonal activity that precedes that date”.

(2) Subsection 1 has effect from 20 December 2006.

**390.** (1) Section 965.94 of the Act is amended by adding the following paragraph:

“For the purposes of subparagraph *c* of the first paragraph, if the favourable advance ruling referred to in paragraph *e* of section 965.74 or paragraph *c* of section 965.76 confirms that the subsidiary is carrying on a business on a seasonal basis and that the continuous period during which the business is carried on is comparable to that of other businesses operating in the same sector of activity, subparagraph *c* of the first paragraph is to be read as if “throughout the 12 preceding months” was replaced by “throughout a period of seasonal activity that precedes that date”.”

(2) Subsection 1 has effect from 20 December 2006.

**391.** (1) Section 965.96 of the Act is amended by replacing the fourth paragraph by the following paragraph:

“The rules of the second and third paragraphs apply, with the necessary modifications, to

(a) the requirement relating to the carrying on of a business set out in paragraph *d* of section 965.90; and

(b) the requirement relating to the carrying on of a business on a seasonal basis throughout a period of seasonal activity, because of the application of paragraph *b* of section 965.91.”

(2) Subsection 1 has effect from 20 December 2006.

**392.** (1) Section 965.97 of the Act is amended by replacing the fourth paragraph by the following paragraph:

“The rules of the first, second and third paragraphs apply, with the necessary modifications, to

(a) the requirement relating to the carrying on of a business set out in paragraph *d* of section 965.90; and

(b) the requirement relating to the carrying on of a business on a seasonal basis throughout a period of seasonal activity, because of the application of paragraph *b* of section 965.91.”

(2) Subsection 1 has effect from 20 December 2006.

**393.** (1) Section 965.129 of the Act is amended by replacing subparagraphs *c* and *d* of the second paragraph by the following subparagraphs:

“(c) C is the adjusted cost of the qualifying shares and valid shares acquired after the particular time referred to in the first paragraph and included in the plan on or before the last day of the second month following the month in which the particular withdrawal occurred; and

“(d) D is the adjusted cost of the qualifying securities acquired after the particular time referred to in the first paragraph and included in the plan on or before the last day of the second month following the month in which the particular withdrawal occurred.”

(2) Subsection 1 has effect from 1 January 2007.

**394.** Section 971.3 of the Act is amended by replacing “attribué” in the first paragraph in the French text by “distribué”.

**395.** (1) Section 979.21 of the Act is amended

(1) by replacing “attribué” in the portion of the first paragraph before the formula in the French text by “distribué”;

(2) by replacing the formula in the first paragraph by the following formula:

“ $A + B - (C - D)$ .”;

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

“(d) D is the aggregate of all amounts each of which is equal to the amount by which an amount relating to the balance in respect of the individual under the arrangement that is deemed under section 979.22 to have been distributed before the particular time from the arrangement exceeds the portion of that amount that is included, because of that section, in computing a taxpayer’s income.”

(2) Paragraphs 2 and 3 of subsection 1 apply in respect of an amount that is transferred, credited or added after 20 December 2002. However, when subparagraph *d* of the second paragraph of section 979.21 of the Act applies before 15 May 2009, it is to be read as if “distribué” in the French text was replaced by “attribué”.

**396.** (1) The Act is amended by inserting the following sections after section 979.21:

**“979.22.** If, at a particular time, an amount relating to the balance in respect of an individual (in this section and in section 979.23 referred to as the “transferor”) under an eligible funeral arrangement (in this section and in section 979.23 referred to as the “transferor arrangement”) is transferred, credited or added to the balance in respect of the same or another individual (in this section and in section 979.23 referred to as the “recipient”) under the same or another eligible funeral arrangement (in this section and in section 979.23 referred to as the “recipient arrangement”), the following rules apply:

(a) the amount is deemed to have been distributed at the particular time to the transferor or, if the transferor is deceased at that time, to the recipient from the transferor arrangement and to have been paid from the balance in respect of the transferor under the transferor arrangement; and

(b) the amount is deemed to be a contribution made, other than by way of a transfer from an eligible funeral arrangement, at the particular time under the recipient arrangement for the purpose of funding funeral or cemetery services with respect to the recipient.

**“979.23.** Section 979.22 does not apply if

(a) the transferor and the recipient are the same individual;

(b) the amount that is transferred, credited or added to the balance in respect of the individual under the recipient arrangement is equal to the balance in respect of the individual under the transferor arrangement immediately before the particular time; and

(c) the transferor arrangement is terminated immediately after the transfer.”

(2) Subsection 1 applies in respect of an amount that is transferred, credited or added after 20 December 2002. However, when paragraph *a* of section 979.22 of the Act applies before 15 May 2009, it is to be read as if “distribu  ” in the French text was replaced by “attribu  ”.

**397.** (1) Section 984 of the Act is amended by replacing “Canadian public body performing a government function” by “municipal or public body performing a function of government in Canada”.

(2) Subsection 1 applies to a taxation year that begins after 8 May 2000.

**398.** (1) Section 985 of the Act is amended, in the first paragraph,

(1) by replacing subparagraph *f* by the following subparagraph:

“(f) subject to sections 985.0.1 and 985.0.2, a corporation, commission or association not less than 90% of whose capital is owned by one or more entities each of which is a municipality in Canada or a municipal or public body performing a function of government in Canada, and not more than 10% of whose income for the period is derived from activities carried on outside the geographical boundaries of the territories of those entities; or”;

(2) by replacing “municipalities” in subparagraphs *i* and *ii* of subparagraph *g* by “entities”.

(2) Subsection 1 applies to a taxation year that begins after 8 May 2000. Despite sections 1010 to 1011 of the Act, the Minister of Revenue shall, for any taxation year that began before 27 February 2004, make such assessments,

reassessments or additional assessments of tax, interest or penalties payable by a taxpayer under Part I of the Act 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 assessments.

**399.** (1) Section 985.0.1 of the Act is amended

(1) by inserting “or of a municipal or public body” after “municipality” in the portion before paragraph *a*;

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

“(c.1) the corporation, commission or association, as the case may be, within the geographical boundaries described in section 985.0.3 of a municipal or public body performing a function of government in Canada under an agreement in writing entered into with the body or with a corporation controlled by the body and to which any of subparagraphs *a* to *g* of the first paragraph of section 985 applies; or”.

(2) Subsection 1 applies to a taxation year that begins after 8 May 2000. Despite sections 1010 to 1011 of the Act, the Minister of Revenue shall, for any taxation year that began before 27 February 2004, make such assessments, reassessments or additional assessments of tax, interest or penalties payable by a taxpayer under Part I of the Act 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 assessments.

**400.** (1) Section 985.0.2 of the Act is replaced by the following section:

“**985.0.2.** Subparagraphs *a* to *g* of the first paragraph of section 985 do not apply in respect of a person’s taxable income for a period in a taxation year if at any time during the period

(*a*) the person is a corporation the shares of the capital stock of which are owned by one or more other persons that, in total, give them more than 10% of the votes that could be cast at a meeting of shareholders of the corporation, other than shares that are owned by one or more persons each of which is

i. the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec,

ii. a municipality in Canada,

iii. a municipal or public body performing a function of government in Canada, or

iv. a corporation, a commission or an association, to which any of those subparagraphs *a* to *g* apply; or

(b) the person is, or would be if the person were a corporation, controlled, directly or indirectly in any manner whatever, by a person, or by a group of persons that includes a person, who is not

i. the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec,

ii. a municipality in Canada,

iii. a municipal or public body performing a function of government in Canada, or

iv. a corporation, a commission or an association, to which any of those subparagraphs *a* to *g* apply.”

(2) Subsection 1 applies to a taxation year that begins after 20 December 2002. In addition, when section 985.0.2 of the Act applies to a taxation year that begins after 8 May 2000 and before 21 December 2002, it is to be read as follows:

“**985.0.2.** For the purposes of subparagraph *f* of the first paragraph of section 985 and section 985.0.1, 90% of the capital of a corporation that has issued share capital is owned by one or more entities, each of which is a municipality or a municipal or public body, only if the entities own shares of the capital stock of the corporation that give the entities 90% or more of the votes that could be cast under all circumstances at an annual meeting of shareholders of the corporation.”

(3) Despite sections 1010 to 1011 of the Act, the Minister of Revenue shall, for every taxation year that begins before 27 February 2004, make such assessments, reassessments or additional assessments of tax, interest and penalties payable by a taxpayer under Part I of the Act as are necessary to give effect to subsections 1 and 2. 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 assessments.

**401.** (1) The Act is amended by inserting the following section after section 985.0.2:

“**985.0.3.** For the purposes of this Book, the geographical boundaries of a municipal or public body performing a function of government in Canada are

(a) the geographical boundaries that encompass the area in respect of which a law of Canada or an agreement given effect by a law of Canada recognizes or grants to the body a power to impose taxes; or

(b) if paragraph *a* does not apply, the geographical boundaries within which that body is authorized by the laws of Canada or of a province to exercise that function.”

(2) Subsection 1 applies to a taxation year that begins after 8 May 2000.

**402.** Section 985.1 of the Act is amended by replacing “opérée” in paragraph *d* in the French text by “gérée”.

**403.** (1) Sections 985.1.1 and 985.1.2 of the Act are replaced by the following sections:

**“985.1.1.** The charitable foundation to which paragraph *f* of section 985.1 refers means a charitable foundation that, at a particular time, meets the following conditions:

(a) more than 50% of its directors, trustees, officers or like officials deal at arm’s length with each other and with

i. each of the other directors, trustees, officers and like officials of the foundation,

ii. each person described in subparagraph i or ii of paragraph *b*, and

iii. each member of a group of persons, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996, who do not deal with each other at arm’s length, if the group would, if it were a person, be a person described in subparagraph i of paragraph *b*; and

(b) the charitable foundation is not, at the particular time, and would not at the particular time be, if the foundation were a corporation, controlled, directly or indirectly in any manner whatever,

i. by a person, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996

(1) who immediately after the particular time, has contributed to the foundation amounts that are, in total, greater than 50% of the capital of the foundation immediately after the particular time, and

(2) who immediately after the person’s last contribution at or before the particular time, had contributed to the foundation amounts that were, in total, greater than 50% of the capital of the foundation immediately after the making of that last contribution, or

ii. by a person, or by a group of persons that do not deal at arm’s length with each other, if the person or any member of the group does not deal at arm’s length with a person described in subparagraph i.

**“985.1.2.** The organization to which paragraph *g* of section 985.1 refers is an organization, whether or not incorporated, that, at a particular time, meets the following conditions:

(a) all its resources are devoted to charitable activities carried on by the organization itself;

(b) no part of its income is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor of the organization;

(c) more than 50% of its directors, trustees, officers or like officials deal at arm’s length with each other and with

i. each of the other directors, trustees, officers and like officials of the organization,

ii. each person described in subparagraph i or ii of paragraph *d*, and

iii. each member of a group of persons, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996, who do not deal with each other at arm’s length, if the group would, if it were a person, be a person described in subparagraph i of paragraph *d*; and

(d) the organization is not, at the particular time, and would not at the particular time be, if the organization were a corporation, controlled, directly or indirectly in any manner whatever,

i. by a person, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996,

(1) who immediately after the particular time, has contributed to the organization amounts that are, in total, greater than 50% of the capital of the organization immediately after the particular time, and

(2) who immediately after the person’s last contribution at or before the particular time, had contributed to the organization amounts that were, in total, greater than 50% of the capital of the organization immediately after the making of that last contribution, or

ii. by a person, or by a group of persons that do not deal at arm’s length with each other, if the person or any member of the group does not deal at arm’s length with a person described in subparagraph i.”

(2) Subsection 1 has effect from 1 January 2000. However,



(1) in the case of a foundation that has not been designated before that date as a private foundation or charitable organization, in accordance with section 985.4.1 of the Act, as it read before being repealed, or in accordance with section 985.4.3 of the Act, that has not applied after 15 February 1984 for registration under subsection 1 of section 985.5 of the Act and that has not begun after that date to be deemed to be registered in accordance with subsection 2 of that section, when section 985.1.1 of the Act applies before 1 January 2005 or, if it is earlier, the day, after 31 December 1999, on which the foundation is designated as a private foundation or charitable organization in accordance with section 985.4.3 of the Act

(a) subparagraph iii of paragraph *a* of section 985.1.1 of the Act is to be read as follows:

“iii. each member of a group of persons who do not deal with each other at arm’s length, if the group would, if it were a person, be a person described in subparagraph i of paragraph *b*; and”;

(b) subparagraph i of paragraph *b* of section 985.1.1 of the Act is to be read as follows:

“i. by a person,

(1) who immediately after the particular time, has contributed to the foundation amounts that are, in total, greater than 75% of the capital of the foundation immediately after the particular time, and

(2) who immediately after the person’s last contribution at or before the particular time, had contributed to the foundation amounts that were, in total, greater than 75% of the capital of the foundation immediately after the making of that last contribution, or”;

(2) in the case of a charitable organization that has not been designated before that date as a private foundation or public foundation in accordance with section 985.4.1 of the Act, as it read before being repealed, or in accordance with section 985.4.3 of the Act, that has not applied after 15 February 1984 for registration under subsection 1 of section 985.5 of the Act and that has not begun after that date to be deemed to be registered in accordance with subsection 2 of that section, when section 985.1.2 of the Act applies before 1 January 2005 or, if it is earlier, the day, after 31 December 1999, on which the foundation is designated as a private foundation or public foundation in accordance with section 985.4.3 of the Act, it is to be read without reference to subparagraphs ii and iii of paragraph *c*.

**404.** (1) Section 985.2 of the Act is amended by replacing paragraphs *a* to *d* by the following paragraphs:

“(a) it carries on a related business;

“(b) in any taxation year, it disburses not more than 50% of its income for that year to qualified donees;

“(c) it disburses part of its income to a registered charity that is deemed to be a charity associated with it under section 985.3; or

“(d) it pays to a qualified donee an amount that is not paid out of the income of the charitable organization.”

(2) Subsection 1 has effect from 20 December 2006.

**405.** Section 985.2.3 of the Act is amended by replacing “opérée” in the portion before paragraph *a* in the French text by “gérée”.

**406.** (1) Section 985.3 of the Act is replaced by the following section:

**“985.3.** If, following an application made to the Minister of National Revenue in accordance with subsection 7 of section 149.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the Minister of National Revenue designates in writing, after 19 December 2006, a registered charity as a charity associated with one or more particular registered charities, the charities to which the designation applies are deemed to be associated charities from the date specified in the designation, until such time as the designation is revoked by the Minister of National Revenue.

Chapter V.2 of Title II of Book I applies in relation to an application granted by the Minister of National Revenue or a revocation made under subsection 7 of section 149.1 of the Income Tax Act or in relation to an application granted by the Minister before 20 December 2006 or a revocation made under this section before that date, and, to that end, sections 21.4.6 and 21.4.7 must apply, with the necessary modifications, as if a revocation made by the Minister of National Revenue had been made by the registered charities to which that revocation applies.”

(2) Subsection 1 has effect from 20 December 2006.

**407.** Section 985.5.2 of the Act is amended by replacing the first paragraph by the following paragraph:

**“985.5.2.** The charity referred to in section 985.4.3 is deemed to be registered as a charitable organization, private foundation or public foundation, as the case may be, for the taxation years beginning after the day of sending of the notice mentioned in that section until it is otherwise designated under that section, until its registration is revoked under sections 985.6 to 985.8.1 or sections 1063 to 1065.1 or, in the case of a charity that is deemed to be registered in accordance with subsection 2 of section 985.5, until it ceases to be so deemed to be registered.”

**408.** (1) Section 985.6 of the Act is amended by adding the following paragraph after paragraph *b*:

“(c) makes a payment in the form of a gift, other than

- i. a gift made in the course of its charitable activities, or
- ii. a gift made to a donee that is a qualified donee at the time the gift is made.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**409.** (1) Section 985.7 of the Act is amended

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

“**985.7.** The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a public foundation if the foundation

(a) carries on a business that is not a related business;”;

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

“(b.1) makes a payment in the form of a gift, other than

- i. a gift made in the course of its charitable activities, or
- ii. a gift made to a donee that is a qualified donee at the time the gift is made;”;

(3) by striking out “ou” at the end of paragraph *d* in the French text.

(2) Paragraph 2 of subsection 1 applies in respect of a gift made after 20 December 2002.

**410.** (1) Section 985.8 of the Act is amended

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

“**985.8.** The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a private foundation in the case provided for in paragraph *c* or *d* of section 985.7 or if the foundation

(a) carries on a business;”;

(2) by adding the following paragraph after paragraph *b*:

“(c) makes a payment in the form of a gift, other than

- i. a gift made in the course of its charitable activities, or
- ii. a gift made to a donee that is a qualified donee at the time the gift is made.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**411.** (1) Section 985.16 of the Act is replaced by the following section:

**“985.16.** Property accumulated by a registered charity in accordance with section 985.15, including any income related to the property, that is not used for the particular purpose provided for in section 985.15 before the expiration of the period specified in that section or at any earlier time at which a decision has been made in such respect by the charity, is deemed to be income of the charity and the eligible amount of a gift for which it issued a receipt referred to in section 712 or 752.0.10.3 in its taxation year in which such period expires or such decision is made.”

(2) Subsection 1 has effect from 21 December 2002.

**412.** Section 985.22 of the Act is amended by replacing “operating” by “carrying on its activities”.

**413.** (1) Section 985.35.6 of the Act is amended by replacing “a gift” in the third paragraph by “the eligible amount of a gift”.

(2) Subsection 1 has effect from 24 March 2006.

**414.** (1) Section 985.35.16 of the Act is amended by replacing “a gift” in the third paragraph by “the eligible amount of a gift”.

(2) Subsection 1 has effect from 30 June 2006.

**415.** (1) Section 985.40 of the Act is amended by replacing “a gift” in the third paragraph by “the eligible amount of a gift”.

(2) Subsection 1 has effect from 21 December 2002.

**416.** (1) Section 985.42 of the Act is replaced by the following section:

**“985.42.** The Minister may, in the manner described in sections 1064 and 1065, revoke the recognition of a recognized political education organization if the organization

(a) fails to comply with the requirement of section 985.37 for a taxation year; or

(b) makes a payment in the form of a gift to a donee that is not a qualified donee at the time the gift is made.”

(2) Subsection 1 applies in respect of a gift made after 20 December 2002.

**417.** Section 996 of the Act is amended by replacing “opéré” in the French text by “géré”.

**418.** (1) Section 998 of the Act is amended by adding the following paragraphs after paragraph *o*:

“(p) a trust

i. that was created because of a requirement imposed by section 56 of the Environment Quality Act (chapter Q-2),

ii. that is resident in Canada, and

iii. in which the only persons that are beneficially interested are

(1) the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec, or

(2) a municipality, within the meaning of section 1 of that Act, that is exempt under this Book from tax under this Part on all of its taxable income; or

“(q) a trust

i. that was created because of a requirement imposed by subsection 1 of section 9 of the Nuclear Fuel Waste Act (Statutes of Canada, 2002, chapter 23),

ii. that is resident in Canada, and

iii. in which the only persons that are beneficially interested are

(1) the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec,

(2) a nuclear energy corporation, within the meaning of section 2 of that Act, all of the shares of the capital stock of which are owned by one or more persons described in subparagraph 1,

(3) the waste management organization established under section 6 of that Act if all of the shares of its capital stock are owned by one or more nuclear energy corporations described in subparagraph 2, or

(4) Atomic Energy of Canada Limited, being the company incorporated or acquired under subsection 2 of section 10 of the Atomic Energy Control Act (Revised Statutes of Canada, 1970, chapter A-19).”

(2) Subsection 1 applies from the taxation year 1997.

**419.** (1) Section 999.1 of the Act is amended

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

“(a) if subsection 10 of section 149 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) does not apply to the corporation in respect of that time, the taxation year of the corporation that would otherwise include that time is deemed to end immediately before that time and a new taxation year of the corporation is deemed to begin at that time and to end at the time at which the corporation’s taxation year (determined for the purposes of the Income Tax Act) that includes that time, ends;”;

(2) by striking out paragraph *a.0.1*.

(2) Subsection 1 applies in respect of a change in status of a corporation that occurs after 19 December 2006.

**420.** (1) Section 1012.1 of the Act is amended

(1) by adding “or because of” at the end of the portion before paragraph *a*;

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

“(f) subparagraph *a* or *b* of the first paragraph of section 1054 as a consequence of an election or specification, referred to in that subparagraph, made by the taxpayer’s legal representative for a subsequent taxation year.”

(2) Subsection 1 has effect from 20 December 2006.

**421.** (1) Section 1015.3 of the Act is amended

(1) by replacing “\$9,200” in the second paragraph by “\$10,215”;

(2) by replacing the portion of the third paragraph before the formula by the following:

“The amount of \$10,215 to which the second paragraph refers and that is to be used for a taxation year subsequent to the taxation year 2008, 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 so used by the factor determined by the formula”;

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

“If the factor determined by the formula in the third paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.”;

(4) by replacing “s’il est équidistant” in the fifth paragraph in the French text by “s’il en est équidistant”;

(5) by striking out the sixth paragraph.

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

**422.** (1) The Act is amended by inserting the following sections after section 1017:

**“1017.1.** A joint election made or expected to be made under Chapter II.1 of Title VI of Book III is not to be considered grounds on which the Minister may determine a lesser amount under section 1016.

**“1017.2.** If a transferor and a transferee, within the meaning assigned to those expressions by the first paragraph of section 336.8, make a joint election under Chapter II.1 of Title VI of Book III in respect of a split-retirement income amount for a taxation year, determined in their respect for the purposes of that chapter, the portion of the amount deducted or withheld under section 1015 that may reasonably be considered to be attributable to the split-retirement income amount is deemed to have been deducted or withheld on account of the transferee’s tax payable for the year under this Part and not on account of the transferor’s tax payable for the year under this Part.”

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

**423.** Section 1019.4 of the Act is amended by replacing the first paragraph by the following paragraph:

**“1019.4.** If an employee receives or benefits from tips and performs employment duties for a regulated establishment, the employee shall report in writing to the employer, at the end of each pay period, the amount by which the amount of tips the employee received or benefited from exceeds the amount of tips remitted to or for the benefit of another employee under a tip-sharing arrangement implemented for the employees performing employment duties for the regulated establishment, to the extent that that amount is included in the amount of the tips the employee received or benefited from.”

**424.** (1) Section 1026.0.2 of the Act is amended

(1) by replacing the definition of “net tax owing” by the following definition:

““net tax owing” by an individual for a taxation year means the amount by which the tax payable by the individual for the year under this Part and Part III.15, determined without reference to the specified tax consequences for the year, section 313.11 and Chapter II.1 of Title VI of Book III, exceeds the amount described in the second paragraph.”;

(2) by adding the following paragraph:

“The amount to which the definition of “net tax owing” in the first paragraph refers corresponds to the aggregate of all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual’s income for the year and all amounts the individual is deemed, under Chapter III.1, to have paid to the Minister on account of the individual’s tax payable under this Part for the year.”

(2) Subsection 1 applies in respect of a payment to be made on or before a day that is subsequent to 31 December 2007.

**425.** (1) The Act is amended by inserting the following section after section 1026.2:

**“1026.3.** For the purposes of sections 1025 and 1026, the individual’s tax for the year estimated in accordance with section 1004 is to be determined without reference to section 313.11 and Chapter II.1 of Title VI of Book III.”

(2) Subsection 1 applies in respect of a payment to be made on or before a day that is subsequent to 31 December 2007.

**426.** (1) Section 1029.6.0.0.1 of the Act is amended

(1) by adding the following subparagraph after subparagraph viii of subparagraph *c* of the second paragraph:

“ix. the amount of any financial contribution paid by a public body that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission;”;

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

“(*e.1*) in the case of Division II.6.0.0.4, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the Société de développement des entreprises culturelles, the Canada Council for the Arts, Fondation Musicaction or the Foundation to Assist Canadian Talent on Records, or

iii. the amount of the fees paid by a government, municipality or other public authority to acquire performances of a show;”;



(3) by striking out “, excluding an amount that is income from the operation of the property” in the third paragraph.

(2) Paragraph 1 of subsection 1 applies in respect of an amount received or to be received after 11 March 2003.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of an amount received or to be received after 20 February 2007.

**427.** Section 1029.6.0.1 of the Act is amended by replacing “opère” wherever it appears in paragraph *c* in the French text by “exploite”.

**428.** (1) Section 1029.6.0.6 of the Act is amended

(1) by replacing “third” in the first paragraph by “fourth”;

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

“If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.”;

(3) by replacing “fourth” in the portion of the third paragraph before subparagraph *a* by “fifth”;

(4) by replacing “\$15” and “\$38” in subparagraph *h* of the third paragraph by “\$26” and “\$61”, respectively;

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

“(m) the amounts of \$37,500 and \$75,000, wherever they are mentioned in paragraphs *a* and *b* of the definition of “increase amount” in the first paragraph of section 1029.8.126.”;

(6) by replacing “third” in the fourth paragraph by “fourth”.

(2) Paragraphs 1 to 3 and 6 of subsection 1 apply from the taxation year 2008.

(3) Paragraph 4 of subsection 1 applies from the taxation year 2008. In addition, when section 1029.6.0.6 of the Act applies to the taxation year 2007, it is to be read without reference to subparagraph *h* of the third paragraph.

(4) Paragraph 5 of subsection 1 applies from the taxation year 2008. However, when section 1029.6.0.6 of the Act applies to the taxation year 2008, it is to be read without reference to subparagraph *m* of the fourth paragraph.

**429.** (1) Section 1029.6.0.7 of the Act is amended

- (1) by replacing “third” wherever it appears by “fourth”;
- (2) by replacing “*j* and *l*” in the first paragraph by “*j*, *l* and *m*”.
- (2) Paragraph 1 of subsection 1 applies from the taxation year 2008.
- (3) Paragraph 2 of subsection 1 applies from the taxation year 2009.

**430.** (1) Section 1029.7 of the Act is amended by replacing “in Québec, has an establishment in Québec and” and “to the second paragraph and to the first paragraph of section 1029.8.21.3.2” in the portion of the first paragraph before subparagraph *a* by “in Canada, who” and “to the second paragraph”, respectively.

(2) 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, if applicable, under a contract entered into after 20 April 2005.

**431.** (1) Section 1029.8 of the Act is amended by replacing “in Québec, has an establishment in Québec” and “to the second paragraph and to the second paragraph of section 1029.8.21.3.2” in the portion of the first paragraph before subparagraph *a* by “in Canada” and “to the second paragraph”, respectively.

(2) 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, if applicable, under a contract entered into after 20 April 2005.

**432.** (1) Section 1029.8.6 of the Act is amended by replacing “in Québec, has an establishment in Québec and” and “to the second paragraph and to the first paragraph of section 1029.8.21.3.2” in the portion of the first paragraph before subparagraph *a* by “in Canada, who” and “to the second paragraph”, respectively.

(2) 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 under a contract entered into after 20 April 2005.

**433.** (1) Section 1029.8.7 of the Act is amended by replacing “in Québec, has an establishment in Québec” and “to the second paragraph and to the second paragraph of section 1029.8.21.3.2” in the portion of the first paragraph

before subparagraph *a* by “in Canada” and “to the second paragraph”, respectively.

(2) 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 under a contract entered into after 20 April 2005.

**434.** (1) Section 1029.8.10 of the Act is amended by replacing “in Québec, has an establishment in Québec” and “to the second paragraph and to the first paragraph of section 1029.8.21.3.2” in the portion of the first paragraph before subparagraph *a* by “in Canada” and “to the second paragraph”, respectively.

(2) 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, if applicable, under a contract entered into after 20 April 2005.

**435.** (1) Section 1029.8.11 of the Act is amended by replacing “in Québec, has an establishment in Québec” and “to the second paragraph and to the second paragraph of section 1029.8.21.3.2” in the portion of the first paragraph before subparagraph *a* by “in Canada” and “to the second paragraph”, respectively.

(2) 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, if applicable, under a contract entered into after 20 April 2005.

**436.** Section 1029.8.18.1 of the Act is amended

(1) by replacing “under Divisions II to II.3.0.1” in the portion before paragraph *a* by “under any of Divisions II to II.3.0.1”;

(2) by replacing “those divisions” in the portion of each of paragraphs *a* and *b* before subparagraph *i* by “that division”;

(3) by replacing “were it not” and “those divisions” in subparagraph *i* of paragraph *b* by “but” and “that division”, respectively;

(4) by replacing “under the same provisions of those divisions as the provisions under which” in subparagraph *ii* of paragraph *b* by “under the same provision of that division as the provision under which”.

**437.** Section 1029.8.18.1.1 of the Act is amended

(1) by replacing “under Divisions II to II.3.0.1” in the portion before paragraph *a* by “under any of Divisions II to II.3.0.1”;

(2) by replacing “those divisions” in the portion of each of paragraphs *a* and *b* before subparagraph i by “that division”;

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

“i. to be equal to the amount that, but for the assistance and if the taxpayer’s share of the income or loss of the partnership and that income or loss had been the same as those determined at the end of the fiscal period of the partnership which includes the particular time, 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, 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, particular eligible fee or particular eligible fee balance corresponding to the assistance so repaid, and”;

(4) by replacing “under the same provisions of those divisions as the provisions under which” in subparagraph ii of paragraph *b* by “under the same provision of that division as the provision under which”.

**438.** Section 1029.8.18.1.2 of the Act is amended

(1) by replacing “under Divisions II to II.3.0.1” in the portion before paragraph *a* by “under any of Divisions II to II.3.0.1”;

(2) by replacing “those divisions” in the portion of each of paragraphs *a* and *b* before subparagraph i by “that division”;

(3) by replacing “were it not” and “those divisions” in subparagraph i of paragraph *b* by “but” and “that division”, respectively;

(4) by replacing “under the same provisions of those divisions as those under which” in subparagraph ii of paragraph *b* by “under the same provision of that division as the provision under which”.

**439.** (1) Section 1029.8.20 of the Act is amended by replacing “under section 1029.8.9.0.3, the taxpayer is, for the purposes of that section, deemed” by “under any of sections 1029.7, 1029.8.6, 1029.8.9.0.3 and 1029.8.10, the taxpayer is, for the purposes of those sections, deemed”.

(2) Subsection 1 applies in respect of an expenditure incurred after 21 April 2005 by a taxpayer or a partnership in a fiscal period that begins after that date for scientific research and experimental development undertaken after that date and, if applicable, under a contract entered into after 20 April 2005.

**440.** (1) Section 1029.8.21.3.2 of the Act is repealed.

(2) Subsection 1 applies in respect of an expenditure incurred after 21 April 2005 by a taxpayer or a partnership in a fiscal period that begins after that date for scientific research and experimental development undertaken after that date and, if applicable, under a contract entered into after 20 April 2005.

**441.** (1) Section 1029.8.36.0.0.7 of the Act is amended

(1) by striking out subparagraph *e* of the second paragraph;

(2) by adding the following subparagraph after subparagraph *b* of the third paragraph:

“(c) no expenditure may be taken into consideration in computing a labour expenditure of a corporation for a taxation year in respect of a property that is a qualified property, or production costs directly attributable to the production of such a property incurred before the end of the year, if the expenditure has been taken into consideration in computing such a labour expenditure or such costs in respect of another property that is a qualified property.”

(2) Subsection 1 applies in respect of a labour expenditure incurred after 23 March 2006.

**442.** (1) Section 1029.8.36.0.3.63 of the Act is amended by replacing the portion of paragraph *c* before subparagraph *i* by the following:

“(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the aggregate of all amounts each of which is the salary or wages paid by another qualified corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the other corporation that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, exceeds the total of”.

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**443.** (1) Section 1029.8.36.0.3.69 of the Act is amended by replacing the portion of the first paragraph before subparagraph *a* by the following:

**“1029.8.36.0.3.69.** Subject to sections 1029.8.36.0.3.67 and 1029.8.36.0.3.68, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the “vendor”) in relation to a recognized business or a business the activities of which are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the “purchaser”) that is not associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply, subject to the third and fourth paragraphs, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the particular taxation year, in relation to a particular recognized business:”.

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**444.** (1) The Act is amended by inserting the following sections after section 1029.8.36.0.3.69:

**“1029.8.36.0.3.69.1.** Subject to sections 1029.8.36.0.3.67 and 1029.8.36.0.3.68, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the “vendor”) in relation to a recognized business or a business the activities of which are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the “purchaser”) that is associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the particular taxation year, in relation to a particular recognized business:

(*a*) if the particular recognized business is a business of the vendor,

i. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period in relation to the particular recognized business, for which the employee is an eligible employee, is deemed, for the purposes of

subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61, subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 and subparagraph ii of paragraph *a* of section 1029.8.36.0.3.63, to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$A \times G,$$

ii. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, in relation to the particular recognized business, is deemed, for the purposes of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61, subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 and paragraph *a* of section 1029.8.36.0.3.63, to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$B \times G,$$

iii. the base amount of the vendor, in relation to the particular recognized business, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$C \times G, \text{ and}$$

iv. the eligible amount of the vendor for the particular calendar year is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$D \times G;$$

(*b*) if the particular recognized business is a business of a corporation that is associated with the vendor at the end of the particular calendar year,

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 or in subparagraph ii of paragraph *c* of section 1029.8.36.0.3.63, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph i exceeds the amount determined by the formula

$$E \times G, \text{ and}$$

ii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.0.3.63 before subparagraph i, determined in respect of the vendor for the particular calendar year, is deemed to be equal to the amount by which that amount

determined without reference to this subparagraph ii exceeds the amount determined by the formula

$F \times G$ ;

(c) if the particular recognized business is a business of the purchaser, the purchaser is deemed

i. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61, subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 or subparagraph ii of paragraph *a* of section 1029.8.36.0.3.63, as the case may be, to employees, in respect of a pay period, within the purchaser's base period in relation to the particular recognized business, for which the employees are eligible employees, the amount determined by the formula

$A \times G$ ,

ii. to have paid, for the purposes of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61, subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 or paragraph *a* of section 1029.8.36.0.3.63, as the case may be, to employees, in respect of a pay period, within the particular calendar year, for which the employees are eligible employees, in relation to the particular recognized business, the amount determined by the formula

$B \times G$ ,

iii. to have a base amount, in relation to the particular recognized business, equal to the aggregate of

(1) the purchaser's base amount otherwise determined, in relation to the particular recognized business, and

(2) the amount determined by the formula

$C \times G$ , and

iv. to have an eligible amount for the particular calendar year equal to the aggregate of

(1) the purchaser's eligible amount otherwise determined for the particular calendar year, and

(2) the amount determined by the formula

$D \times G$ ; and

(d) if the particular recognized business is a business of a corporation that is associated with the purchaser at the end of the particular calendar year,



i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 or in subparagraph ii of paragraph *c* of section 1029.8.36.0.3.63, determined in respect of the purchaser, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph i, and

(2) the amount determined by the formula

$E \times G$ , and

ii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.0.3.63 before subparagraph i, determined in respect of the purchaser for the particular calendar year, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph ii for the particular calendar year, and

(2) the amount determined by the formula

$F \times G$ .

In the formulas in subparagraphs *a* to *d* of the first paragraph,

(*a*) *A* is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph i of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor's base period in relation to the particular recognized business, for which the employee is an eligible employee, and

ii. for the purposes of subparagraph i of paragraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor's base period in relation to the recognized business, for which the employee is an eligible employee, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee who reports for work at an establishment of the vendor situated in a designated site, other than an excluded employee of the vendor, paid by the vendor in respect of a pay period, within the purchaser's base period in relation to the recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of

the vendor situated in a designated site or elsewhere, but in connection with the mandates attributable to that establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, unless an amount is included, in respect of the employee, in computing an amount determined under this subparagraph ii in relation to another recognized business;

(b) B is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph ii of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee in relation to the particular recognized business, and

ii. for the purposes of subparagraph ii of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee in relation to the recognized business, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages paid by the vendor to an employee who reports for work at an establishment of the vendor situated in a designated site, other than an excluded employee of the vendor, in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in a designated site or elsewhere, but in connection with the mandates attributable to that establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60;

(c) C is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph iii of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in the course of carrying on the particular recognized business, in respect of a pay period, within the vendor’s base period in relation to the particular recognized business, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec but outside a designated site, other than an excluded employee of the vendor, paid by the vendor in the course of carrying on any given business in respect of a pay period, within the vendor’s base period in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere,

but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, unless an amount is included, in respect of the employee, in relation to the given business, in computing an amount determined under this subparagraph *i* in relation to another recognized business, and

ii. for the purposes of subparagraph 2 of subparagraph *iii* of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in the course of carrying on the recognized business, in respect of a pay period, within the vendor’s base period in relation to the recognized business, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec but outside a designated site, other than an excluded employee of the vendor, paid by the vendor in the course of carrying on any given business in respect of a pay period, within the vendor’s base period in relation to the recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, unless an amount is included, in respect of the employee, in relation to the given business, in computing an amount determined under this subparagraph *ii* in relation to another recognized business, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, other than an excluded employee of the vendor, paid by the vendor in the course of carrying on any given business in respect of a pay period, within the purchaser’s base period in relation to the recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, unless an amount is included, in respect of the employee, in relation to the given business, in computing an amount determined under this subparagraph *ii* in relation to another recognized business;

(*d*) *D* is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph iv of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, in relation to the particular recognized business, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, other than an eligible employee of the vendor, in relation to the particular recognized business, or other than an excluded employee of the vendor, paid by the vendor in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, and

ii. for the purposes of subparagraph 2 of subparagraph iv of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, in relation to the recognized business, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, other than an eligible employee of the vendor, in relation to the recognized business, or other than an excluded employee of the vendor, paid by the vendor in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, other than an excluded employee of the vendor, paid by the vendor in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60;

(e) E is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee who reports for work at an establishment of the vendor situated in Québec in respect of a pay period, within the vendor's base period in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of "recognized business" in the first paragraph of section 1029.8.36.0.3.60, unless an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined for the particular calendar year under this subparagraph, in relation to another recognized business;

(f) F is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee who reports for work at an establishment of the vendor situated in Québec in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of "recognized business" in the first paragraph of section 1029.8.36.0.3.60; and

(g) G is the proportion that the number of the vendor's employees referred to in any of subparagraphs *a* to *f*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor's employees assigned to those activities immediately before the particular time.

**“1029.8.36.0.3.69.2.** For the purposes of sections 1029.8.36.0.3.69 and 1029.8.36.0.3.69.1, to determine whether a vendor and a purchaser are associated with each other at a particular time, the following rules apply:

(a) if the vendor or purchaser is an individual (other than a trust), the vendor or purchaser is deemed to be a corporation all the voting shares in the capital stock of which are owned at the particular time by the individual;

(b) if the vendor or purchaser is a partnership, the vendor or purchaser is deemed to be a corporation whose taxation year is its fiscal period and all the voting shares in the capital stock of which are owned at the particular time by each member of the partnership in a proportion equal to the proportion that the member's share of the income or loss of the partnership for its fiscal period that includes the particular time 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; and

(c) if the vendor or purchaser is a trust, the vendor or purchaser is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this paragraph referred to as the “distribution date”), and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) if such a beneficiary’s share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if the particular time occurs before the distribution date, are owned at that time by the beneficiary, or

(2) if subparagraph 1 does not apply and the particular time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. if a beneficiary’s share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at the particular time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at the particular time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at the particular time by the person referred to in that section from whom property of the trust or property for which it was substituted was directly or indirectly received.”

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**445.** (1) The Act is amended by inserting the following section after section 1029.8.36.72.82.6:

**“1029.8.36.72.82.6.1.** For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a taxation year, under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, the amount, determined otherwise but without reference to subparagraphs i and iii of subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.72.82.6 and section 1029.8.36.72.82.10, of a salary or wages referred to in the

definition of “eligible amount” in the first paragraph of section 1029.8.36.72.82.1, in the portion of subparagraph i of subparagraph *a* of the first paragraph of each of sections 1029.8.36.72.82.2 and 1029.8.36.72.82.3 before subparagraph 1, in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 before subparagraph 1 or in the portion of each of subparagraphs *a* and *c* of the first paragraph of section 1029.8.36.72.82.4 before subparagraph i, that is paid, in respect of a pay period within the calendar year 2008 or 2009, by the qualified corporation or by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee and that may reasonably be attributed to activities that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation, for the year, in respect of a recognized business that it carries on in a resource region, is deemed to be equal to

(a) 98% of that amount if the calendar year is the year 2008; and

(b) 96% of that amount if the calendar year is the year 2009.”

(2) Subsection 1 has effect from 1 January 2008.

**446.** (1) Section 1029.8.36.72.82.10 of the Act is amended

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

“**1029.8.36.72.82.10.** Subject to sections 1029.8.36.72.82.8 and 1029.8.36.72.82.9, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the “vendor”) in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in a designated region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the “purchaser”) that is not associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:”;

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

“(e) E is,

i. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor’s business referred to in

the first paragraph is a business carried on on a seasonal basis, the proportion that the number of days in the particular calendar year that are included in the period during which such a business is ordinarily carried on on a seasonal basis and that follow the particular time is of the number of days in that period,

ii. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor's business referred to in the first paragraph is not a business carried on on a seasonal basis, the proportion that the number of days in the particular calendar year that follow the particular time is of 365, and

iii. in any other case, 1.”;

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

“Subject to the third paragraph and for the purposes of this section, if the vendor's business referred to in the first paragraph is a business carried on on a seasonal basis, the proportion that 365 is of the number of days in the particular calendar year during which the purchaser carried on the activities described in that paragraph, and that is referred to in subparagraph i of subparagraph c of the first paragraph and in subparagraph 2 of subparagraph iii of that subparagraph c or in subparagraph i.1 of subparagraph c of the first paragraph and in subparagraph 2 of subparagraph iii.1 of that subparagraph c, in the case where the purchaser is the particular corporation, or in subparagraph 1 of subparagraph i of subparagraph d of the first paragraph or in subparagraph 1 of subparagraph ii of that subparagraph d, in the case where the purchaser is associated with the particular corporation at the end of the particular calendar year, is to be replaced,

(a) if the activities described in the first paragraph relate to a recognized business of the vendor, by the proportion that the number of days that are in the vendor's base period and in respect of which the vendor paid a salary or wages to an eligible employee in the course of carrying on the business on a seasonal basis is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis;

(b) if the activities described in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, by the proportion that the number of days that are in the purchaser's base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis; and



(c) if the activities described in the first paragraph relate neither to a recognized business of the vendor nor to a recognized business of the purchaser but relate to a recognized business of another corporation with which the purchaser is associated at the end of the particular calendar year, by the proportion that the number of days that are in the other corporation's base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the other corporation, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis."

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**447.** (1) Section 1029.8.36.72.82.10.1 of the Act is amended

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

**"1029.8.36.72.82.10.1.** Subject to sections 1029.8.36.72.82.8 and 1029.8.36.72.82.9, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the "vendor") in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in a designated region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the "purchaser") that is associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:"

(2) by striking out subparagraph 3 of subparagraph ii of subparagraphs *a* to *d* of the second paragraph.

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**448.** Section 1029.8.36.72.82.10.2 of the Act is amended

(1) by replacing "a vendor is associated with a purchaser" in the portion before paragraph *a* by "a vendor and a purchaser are associated with each other";

(2) by replacing “the individual is deemed” in paragraph *a* by “the vendor or purchaser is deemed”;

(3) by replacing “the partnership is deemed” in paragraph *b* by “the vendor or purchaser is deemed”;

(4) by replacing “the trust is deemed” in the portion of paragraph *c* before subparagraph *i* by “the vendor or purchaser is deemed”.

**449.** (1) Section 1029.8.36.72.82.22 of the Act is amended

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

**“1029.8.36.72.82.22.** Subject to sections 1029.8.36.72.82.20 and 1029.8.36.72.82.21, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the “vendor”) in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in an eligible region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the “purchaser”) that is not associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:”;

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

“(d) D is,

i. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor’s business referred to in the first paragraph is a business carried on on a seasonal basis, the proportion that the number of days in the particular calendar year that are included in the period during which such a business is ordinarily carried on on a seasonal basis and that follow the particular time is of the number of days in that period,

ii. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor’s business referred to in the first paragraph is not a business carried on on a seasonal basis, the proportion that the number of days in the particular calendar year that follow the particular time is of 365, and

iii. in any other case, 1.”;

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

“Subject to the third paragraph and for the purposes of this section, if the vendor’s business referred to in the first paragraph is a business carried on on a seasonal basis, the proportion that 365 is of the number of days in the particular calendar year during which the purchaser carried on the activities described in the first paragraph, and that is referred to in subparagraph 2 of subparagraph i of subparagraph c of the first paragraph, in the case where the purchaser is the particular corporation, or in subparagraph i of subparagraph d of the first paragraph, in the case where the purchaser is associated with the particular corporation at the end of the particular calendar year, is to be replaced,

(a) if the activities described in the first paragraph relate to a recognized business of the vendor, by the proportion that the number of days that are in the vendor’s base period and in respect of which the vendor paid a salary or wages to an eligible employee in the course of carrying on the business on a seasonal basis is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis;

(b) if the activities described in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, by the proportion that the number of days that are in the purchaser’s base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis; and

(c) if the activities described in the first paragraph relate neither to a recognized business of the vendor nor to a recognized business of the purchaser but relate to a recognized business of another corporation with which the purchaser is associated at the end of the particular calendar year, by the proportion that the number of days that are in the other corporation’s base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the other corporation, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis.”

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**450.** (1) Section 1029.8.36.72.82.23 of the Act is amended

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

**“1029.8.36.72.82.23.** Subject to sections 1029.8.36.72.82.20 and 1029.8.36.72.82.21, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the “vendor”) in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in an eligible region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the “purchaser”) that is associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:”;

(2) by striking out subparagraph 3 of subparagraph ii of subparagraphs *a* and *b* of the second paragraph;

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

“(c) C is the aggregate of all amounts each of which is the salary or wages of an employee paid by the vendor in respect of a pay period, within the particular corporation’s base period, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the particular corporation, for the purposes of this division, for the year in respect of a recognized business, unless an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business; and”.

(2) Paragraph 1 of subsection 1 applies to a taxation year that ends after 30 December 2006.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 1 January 2004.

**451.** Section 1029.8.36.72.82.24 of the Act is amended

(1) by replacing “a vendor is associated with a purchaser” in the portion before paragraph *a* by “a vendor and a purchaser are associated with each other”;

(2) by replacing “the individual is deemed” in paragraph *a* by “the vendor or purchaser is deemed”;

(3) by replacing “the partnership is deemed” in paragraph *b* by “the vendor or purchaser is deemed”;

(4) by replacing “the trust is deemed” in the portion of paragraph *c* before subparagraph *i* by “the vendor or purchaser is deemed”.

**452.** (1) Section 1029.8.36.72.86 of the Act is amended by replacing the portion of paragraph *c* before subparagraph *i* by the following:

“(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the aggregate of all amounts each of which is the salary or wages paid by another qualified corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, within the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, exceeds the total of”.

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**453.** (1) Section 1029.8.36.72.92 of the Act is amended by replacing the portion of the first paragraph before subparagraph *a* by the following:

“**1029.8.36.72.92.** Subject to sections 1029.8.36.72.90 and 1029.8.36.72.91, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the “vendor”), in relation to a recognized business or a business the activities of which are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the “purchaser”) that is not associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply, subject to

the fourth and fifth paragraphs, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the particular taxation year, in relation to a particular recognized business:”.

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**454.** (1) The Act is amended by inserting the following sections after section 1029.8.36.72.92:

**“1029.8.36.72.92.1.** Subject to sections 1029.8.36.72.90 and 1029.8.36.72.91, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the “vendor”) in relation to a recognized business or a business the activities of which are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the “purchaser”) that is associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the particular taxation year, in relation to a particular recognized business:

(a) if the particular recognized business is a business of the vendor,

i. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period in relation to the particular recognized business, for which the employee is an eligible employee, is deemed, for the purposes of subparagraph 2 of subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.72.84, subparagraph 2 of subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 and subparagraph *ii* of paragraph *a* of section 1029.8.36.72.86, to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$A \times G,$

ii. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, in relation to the particular recognized business, is deemed, for the purposes of subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.72.84, subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.72.85

and paragraph *a* of section 1029.8.36.72.86, to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$B \times G,$$

iii. the base amount of the vendor, in relation to the particular recognized business, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$C \times G, \text{ and}$$

iv. the eligible amount of the vendor for the particular calendar year is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$D \times G;$$

(*b*) if the particular recognized business is a business of a corporation that is associated with the vendor at the end of the particular calendar year,

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.86, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph i exceeds the amount determined by the formula

$$E \times G, \text{ and}$$

ii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.86 before subparagraph i, determined in respect of the vendor for the particular calendar year, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph ii exceeds the amount determined by the formula

$$F \times G;$$

(*c*) if the particular recognized business is a business of the purchaser, the purchaser is deemed

i. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.84, subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 or subparagraph ii of paragraph *a* of section 1029.8.36.72.86, as the case may be, to employees, in respect of a pay period, within the purchaser's base period in relation to the particular recognized business, for

which the employees are eligible employees, the amount determined by the formula

$$A \times G,$$

ii. to have paid, for the purposes of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.84, subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 or paragraph *a* of section 1029.8.36.72.86, as the case may be, to employees, in respect of a pay period, within the particular calendar year, for which the employees are eligible employees, in relation to the particular recognized business, the amount determined by the formula

$$B \times G,$$

iii. to have a base amount, in relation to the particular recognized business, equal to the aggregate of

(1) the purchaser's base amount otherwise determined, in relation to the particular recognized business, and

(2) the amount determined by the formula

$$C \times G, \text{ and}$$

iv. to have an eligible amount for the particular calendar year equal to the aggregate of

(1) the purchaser's eligible amount otherwise determined for the particular calendar year, and

(2) the amount determined by the formula

$$D \times G; \text{ and}$$

(d) if the particular recognized business is a business of a corporation that is associated with the purchaser at the end of the particular calendar year,

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.86, determined in respect of the purchaser, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph i, and

(2) the amount determined by the formula

$$E \times G, \text{ and}$$



ii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.86 before subparagraph i, determined in respect of the purchaser for the particular calendar year, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph ii for the particular calendar year, and

(2) the amount determined by the formula

$$F \times G.$$

In the formulas in subparagraphs *a* to *d* of the first paragraph,

(a) A is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph i of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor's base period in relation to the particular recognized business, for which the employee is an eligible employee, and

ii. for the purposes of subparagraph i of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor's base period in relation to the recognized business, for which the employee is an eligible employee, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages paid by the vendor to an employee, other than an excluded employee of the vendor, in respect of a pay period, within the purchaser's base period in relation to the recognized business, in which the employee reports for work at an establishment of the vendor situated in an eligible site and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of "recognized business" in the first paragraph of section 1029.8.36.72.83, unless an amount is included, in respect of the employee, in computing an amount determined under this subparagraph ii in relation to another recognized business;

(b) B is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph ii of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee in relation to the particular recognized business, and

ii. for the purposes of subparagraph ii of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee in relation to the recognized business, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages paid by the vendor to an employee, other than an excluded employee of the vendor, in respect of a pay period, within the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in an eligible site and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83;

(*c*) *C* is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph iii of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in the course of carrying on the particular recognized business, in respect of a pay period, within the vendor’s base period in relation to the particular recognized business, for which the employee is an eligible employee, or the salary or wages of an employee, other than an excluded employee of the vendor, paid by the vendor in the course of carrying on any given business in respect of a pay period, within the vendor’s base period in relation to the particular recognized business, in which the employee reports for work at an establishment of the vendor situated in Québec but outside an eligible site and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, unless an amount is included, in respect of the employee, in relation to the given business, in computing an amount determined under this subparagraph i in relation to another recognized business, and

ii. for the purposes of subparagraph 2 of subparagraph iii of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in the course of carrying on the recognized business, in respect of a pay period, within the vendor’s base period in relation to the recognized business, for which the employee is an eligible employee, or the salary or wages of an employee, other than an excluded employee of the vendor, paid by the vendor in the course of carrying on any given business in respect of a pay period, within the vendor’s base period in relation to the recognized business, in

which the employee reports for work at an establishment of the vendor situated in Québec but outside an eligible site and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, unless an amount is included, in respect of the employee, in relation to the given business, in computing an amount determined under this subparagraph ii in relation to another recognized business, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee, other than an excluded employee of the vendor, paid by the vendor in the course of carrying on any given business in respect of a pay period, within the purchaser’s base period in relation to the recognized business, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, unless an amount is included, in respect of the employee, in relation to the given business, in computing an amount determined under this subparagraph ii in relation to another recognized business;

(d) D is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph iv of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, in relation to the particular recognized business, or the salary or wages of an employee, other than an eligible employee of the vendor, in relation to the particular recognized business, or other than an excluded employee of the vendor, paid by the vendor in respect of a pay period, within the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, and

ii. for the purposes of subparagraph 2 of subparagraph iv of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, in relation to the recognized business, or the salary or wages of an employee, other than an eligible employee of the vendor, in relation to the recognized business, or other than an excluded

employee of the vendor, paid by the vendor in respect of a pay period, within the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, and

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee, other than an excluded employee of the vendor, paid by the vendor in respect of a pay period, within the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83;

(*e*) *E* is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period in relation to the particular recognized business, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, unless an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined for the particular calendar year under this subparagraph, in relation to another recognized business;

(*f*) *F* is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 90% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83; and

(*g*) *G* is the proportion that the number of the vendor’s employees referred to in any of subparagraphs *a* to *f*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor’s employees assigned to those activities immediately before the particular time.

**“1029.8.36.72.92.2.** For the purposes of sections 1029.8.36.72.92 and 1029.8.36.72.92.1, to determine whether a vendor and a purchaser are associated with each other at a particular time, the following rules apply:

(a) if the vendor or purchaser is an individual (other than a trust), the vendor or purchaser is deemed to be a corporation all the voting shares in the capital stock of which are owned at the particular time by the individual;

(b) if the vendor or purchaser is a partnership, the vendor or purchaser is deemed to be a corporation whose taxation year is its fiscal period and all the voting shares in the capital stock of which are owned at the particular time by each member of the partnership in a proportion equal to the proportion that the member's share of the income or loss of the partnership for its fiscal period that includes the particular time 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; and

(c) if the vendor or purchaser is a trust, the vendor or purchaser is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this paragraph referred to as the "distribution date"), and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) if such a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if the particular time occurs before the distribution date, are owned at that time by the beneficiary, or

(2) if subparagraph 1 does not apply and the particular time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. if a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at the particular time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at the particular time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at the particular time by the person referred to in that section from whom property of the trust or property for which it was substituted was directly or indirectly received.”

(2) Subsection 1 applies to a taxation year that ends after 30 December 2006.

**455.** Division II.6.10 of Chapter III.1 of Title III of Book IX of Part I of the Act, comprising sections 1029.8.36.102 to 1029.8.36.114, is repealed.

**456.** (1) Section 1029.8.61.20 of the Act is amended

(1) by replacing “third” in the first paragraph by “fourth”;

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

“If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.”;

(3) by replacing “fourth” in the portion of the third paragraph before subparagraph *a* by “fifth”;

(4) by replacing “third” in the fourth paragraph by “fourth”.

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

**457.** (1) Section 1029.8.61.61 of the Act is amended, in the definition of “minimum housing period”,

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

““minimum housing period” of a person for a taxation year in relation to an individual is a housing period of the person of at least”;

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

“ii. the period is included in a housing period of the person (in this section referred to as the “particular housing period”), of at least 365 consecutive days commencing in the year or in the preceding year,”;

(3) by replacing “particular period” in subparagraphs iii and iv of paragraph *b* by “particular housing period”.

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

**458.** (1) Section 1029.8.61.65 of the Act is replaced by the following section:

**“1029.8.61.65.** For the purposes of section 1029.8.61.64, a person is dependent upon an individual during a taxation year if the individual is not the person’s spouse and has deducted, for the year, in respect of the person, an amount under any of sections 752.0.1 to 752.0.7, 752.0.11 to 752.0.18.0.1 and 776.41.14.”

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

**459.** (1) The Act is amended by inserting the following after section 1029.8.61.70:

#### **“DIVISION II.11.4**

#### **“CREDIT FOR PERSONS PROVIDING RESPITE TO INFORMAL CAREGIVERS**

**“§1. — Interpretation and general**

**“1029.8.61.71.** In this division,

“care recipient” means a person who has a significant long-term disability and for whom an intervention plan or an individualized service plan has been developed by a health and social services centre governed by the Act respecting health services and social services (chapter S-4.2) or an institution governed by the Act respecting health services and social services for Cree Native persons (chapter S-5) and in respect of whom

(a) the conditions set out in subparagraphs *a* to *b.1* of the first paragraph of section 752.0.14 are met, if the person is 18 years of age or over; or

(b) another person receives an amount to which subparagraph *b* of the second paragraph of section 1029.8.61.18 refers;

“eligible individual” for a taxation year in relation to a care recipient means an individual (other than an excluded individual for the year, in relation to the care recipient) who, in the year, provides a total of at least 400 hours of volunteer respite services in Québec to an informal caregiver for the year in respect of the care recipient;

“excluded individual” for a taxation year in relation to a care recipient means

(a) the care recipient’s spouse;

(b) a person who, but for section 2, is the care recipient's father or mother or who, but for section 1, is the care recipient's child, brother or sister or, if applicable, such a person's spouse; or

(c) a person who is an eligible relative, within the meaning of section 1029.8.61.61, of the informal caregiver for the year, in relation to the care recipient, in respect of whom the informal caregiver is deemed to have paid to the Minister an amount on account of the informal caregiver's tax payable under this Part for the year under section 1029.8.61.64;

“informal caregiver” for a taxation year in relation to a care recipient means a person who lives with the care recipient throughout the period, within the year, during which volunteer respite services are provided to the informal caregiver by an eligible individual in relation to the care recipient, and who is the care recipient's spouse or a person in respect of whom the care recipient is a person referred to in paragraph *a* of the definition of “eligible relative” in section 1029.8.61.61;

“volunteer respite services” means unremunerated services provided by an individual in the home of a care recipient that consist in providing care to the care recipient, performing tasks that are normally carried out by the informal caregiver, in relation to the care recipient, freeing the informal caregiver from certain daily tasks so that the informal caregiver can be with the care recipient at all times, or providing any other similar service in order to provide respite to the informal caregiver.

For the purposes of the definition of “informal caregiver” in the first paragraph, if, for a taxation year, more than one person would be considered, but for this paragraph, to be an informal caregiver in relation to the same care recipient, the person who is the care recipient's main support is deemed, for the year, to be the care recipient's only informal caregiver.

For the purposes of the definition of “eligible individual” in the first paragraph, if, in a taxation year, an individual provides volunteer respite services in respect of more than one care recipient in the same place, the number of hours devoted to those services must be divided equally among the care recipients.

**“1029.8.61.72.** If an individual is deemed to have paid to the Minister an amount under section 1029.8.61.73 for a taxation year in recognition of volunteer respite services that the individual provided to an informal caregiver in respect of a care recipient, the informal caregiver or care recipient shall, on request in writing by the Minister for information with respect to the care recipient's impairment or developmental disability and its effects on the care recipient or with respect to any therapy that is required to be administered to the care recipient, provide the information so requested in writing.



“§2. — *Credit*

“**1029.8.61.73.** An eligible individual for a taxation year who is resident in Québec at the end of 31 December of the year is deemed to have paid to the Minister, on the individual’s balance-due day for that year, on account of the individual’s tax payable under this Part for the year, an amount equal to the aggregate of all amounts each of which is an amount that is attributed to the individual or that is deemed to be attributed to the individual for the year in accordance with section 1029.8.61.74 in recognition of volunteer respite services that the individual provided during the year to an informal caregiver in respect of a care recipient.

An eligible individual may be deemed to have paid to the Minister an amount under the first paragraph for a taxation year in respect of volunteer respite services provided to an informal caregiver, in relation to a care recipient, only if the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, or would be required to so file if tax were payable under this Part by the individual for the year, the information return sent to the individual by the informal caregiver for the year in relation to the care recipient.

“**1029.8.61.74.** An informal caregiver for a taxation year in relation to a care recipient may attribute an amount for the year, which may not exceed \$500, to an eligible individual for the year, in relation to the care recipient, provided the aggregate of all amounts each of which is an amount so attributed by the informal caregiver for the year to an eligible individual in relation to the care recipient does not exceed \$1,000.

Subject to the third paragraph, if the amount otherwise attributed by an informal caregiver to an eligible individual under the first paragraph exceeds \$500, the amount attributed to the eligible individual is deemed to be equal to \$500.

If the aggregate of all amounts each of which is an amount otherwise attributed under the first paragraph or deemed to be attributed under the second paragraph for a taxation year by an informal caregiver to an eligible individual in relation to a care recipient exceeds \$1,000, the amount so attributed or deemed to be attributed by the informal caregiver to an eligible individual for the year in relation to the care recipient is deemed to be equal to the amount determined by the Minister for the year in respect of the eligible individual in relation to the care recipient.

“**1029.8.61.75.** No individual may be deemed to have paid an amount to the Minister under section 1029.8.61.73 for a taxation year if the individual is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Act respecting the Ministère du Revenu (chapter M-31).”

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

**460.** (1) Section 1029.8.67 of the Act is amended

(1) by replacing the definition of “qualified child care expense” by the following definition:

““qualified child care expense” of an individual for a taxation year means the lesser of

(a) an amount that, subject to section 1029.8.69 and the first paragraph of section 1029.8.81, is equal to the aggregate of the individual’s child care expenses for the year; and

(b) the total of the product obtained when \$10,000 is multiplied by the number of eligible children of the individual for the year each of whom is a person described in section 1029.8.76 and in respect of whom child care expenses referred to in paragraph *a* were incurred, the product obtained when \$7,000 is multiplied by the number of eligible children of the individual for the year each of whom is under seven years of age on 31 December of that year, or would have been had the child then been living, and in respect of whom such expenses were incurred, and the product obtained when \$4,000 is multiplied by the number of all other eligible children of the individual for the year in respect of whom such expenses were incurred;”;

(2) by replacing the definition of “child care expense” by the following definition:

““child care expense” of an individual for a taxation year means an expense that is neither prescribed nor excluded under section 1029.8.68 and that

(a) is incurred in the year for the purpose of providing child care services in Canada including baby sitting services, day nursery services or services provided at a boarding school or a camp for an eligible child of the individual for the year;

(b) is incurred to enable the individual, or, subject to the second paragraph of section 1029.8.81, the individual’s eligible spouse for the year, who resides with the child at the time the expense is incurred,

- i. to perform the duties of an office or employment,
- ii. to carry on a business, either alone or as a partner actively engaged in the business,
- iii. to carry on research or any similar work for which the individual or the individual’s eligible spouse for the year received a grant,
- iv. to attend a qualified educational institution, where the individual or the individual’s eligible spouse for the year is enrolled in an educational program of not less than three consecutive weeks duration that provides that each

student in the program spend not less than 10 hours per week on courses or work in the program or not less than 12 hours per month on courses in the program, as the case may be, or

v. to actively seek employment; and

(c) is paid by the individual, or by the individual's eligible spouse for the year, for services provided in the year by a person resident in Canada other than, at the time the services are provided,

i. the child's father or mother,

ii. a person with whom the individual is living in a conjugal relationship,

iii. a person who resides with the individual and for whom the child in respect of whom the expense was incurred is an eligible child for the year,

iv. a person under 18 years of age related to the individual or to the person with whom the individual is living in a conjugal relationship, or

v. a person in respect of whom either the individual or a person who resides with the individual and for whom the child in respect of whom the expense was incurred is an eligible child for the year, deducts an amount in computing tax payable for the year under section 752.0.1 or 776.41.14;";

(3) by striking out the definition of "supporting person";

(4) by striking out the definition of "earned income".

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

**461.** (1) Section 1029.8.68 of the Act is replaced by the following section:

**"1029.8.68.** For the purposes of the definition of "child care expense" in section 1029.8.67, the child care expenses of an individual for a taxation year do not include the amounts paid for an eligible child of the individual who attends, in the year, a boarding school or camp to the extent that the total of those amounts exceeds the product obtained when \$250, if the child is a person described in section 1029.8.76, \$175, if the child is under seven years of age on 31 December of that year, or would have been had the child then been living, or \$100, in any other case, is multiplied by the number of weeks in the year during which the child attended the school or camp, nor the medical expenses described in sections 752.0.11 to 752.0.13.0.1 or any other amounts paid for medical or hospital care, clothing, transportation, general or specific education services, or board or lodging, other than such expenses described in that definition."

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

**462.** (1) Section 1029.8.69 of the Act is amended

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

**“1029.8.69.** For the purpose of determining an individual’s qualified child care expenses for a taxation year, the individual may include, in the aggregate of the individual’s child care expenses for the year, an amount paid as such.”;

(2) by replacing paragraph *a.1* by the following paragraph:

“(a.1) only if, where the amount was paid to a person required, under the regulations made under section 1086, to send, in respect of that amount, an information return to the individual or the individual’s eligible spouse, the individual attaches a copy of the information return to the fiscal return the individual is required to file for the year under section 1000, or would be so required to file if the individual had tax payable for the year under this Part; and”.

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

**463.** (1) Sections 1029.8.70 to 1029.8.72 of the Act are repealed.

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

**464.** (1) Section 1029.8.73 of the Act is amended by replacing “qualified child care expense” by “child care expense”.

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

**465.** (1) Section 1029.8.74 of the Act is amended

(1) by replacing “shall be read without reference to “, in Canada,” and “resident in Canada”” in paragraph *a* by “is to be read without reference to “, in Canada” and “resident in Canada””;

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

“(b) paragraph *a* of section 1029.8.69, for that year in respect of that individual, if the expenses referred to in that paragraph were paid to a person not resident in Canada, is to be read without reference to “and contains, where the payee is an individual, the individual’s Social Insurance Number”.”

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

**466.** (1) Section 1029.8.75 of the Act is amended

(1) by replacing “without reference to “in Canada,” and to “resident in Canada”” in the portion before paragraph *a* by “without reference to “in Canada” and to “resident in Canada””;

(2) by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) those expenses (other than amounts paid for a child’s attendance at a boarding school or camp outside Canada) are deemed to be child care expenses of the person for the year for the purposes of this division if the child care services are provided at a place that is closer to the person’s principal place of residence by a reasonably accessible road, in view of the circumstances, than any place in Canada where such child care services are available; and

“(b) if the expenses are deemed under paragraph *a* to be child care expenses of the person for the year, paragraph *a* of section 1029.8.69, in respect of those expenses, is to be read without reference to “and contains, where the payee is an individual, the individual’s Social Insurance Number”.”

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

**467.** (1) Section 1029.8.76 of the Act is replaced by the following section:

“**1029.8.76.** The person to whom paragraph *b* of the definition of “qualified child care expense” in section 1029.8.67 and section 1029.8.68 refer for a taxation year is an eligible child in respect of whom subparagraphs *a* to *d* of the first paragraph of section 752.0.14 apply for that year.”

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

**468.** (1) Section 1029.8.79 of the Act is replaced by the following section:

“**1029.8.79.** An individual who either is resident in Québec on the last day of a taxation year, or is resident in Canada outside Québec on the last day of a taxation year and carried on a business in Québec at any time in the taxation year, is deemed to have paid to the Minister, on the individual’s balance-due day for that taxation year, on account of the individual’s tax payable for that year under this Part, an amount equal, for the year,

(a) if the individual is resident in Québec on the last day of the taxation year or, if the individual is resident in Canada outside Québec on the last day of the taxation year, carried on a business in Québec at any time in the year and has an eligible spouse for the year who is resident in Québec on the last day of the year, to the amount obtained by applying the appropriate percentage determined under section 1029.8.80 in respect of the individual for the year to the individual’s qualified child care expenses for the year;

(b) if the individual is resident in Canada outside Québec on the last day of the taxation year, carried on a business in Québec at any time in the year and either does not have an eligible spouse for the year or the individual’s eligible spouse for the year is, on the last day of the year, neither a person resident in Québec, nor a person resident in Canada outside Québec who carried on a business in Québec at any time in the year, to the product obtained by

multiplying the proportion referred to in the second paragraph of section 25 by the amount obtained by applying the percentage referred to in paragraph *c* of section 750 to the individual's qualified child care expenses for the year; and

(*c*) if the individual and the individual's eligible spouse for the year are resident in Canada outside Québec on the last day of the taxation year and carried on a business in Québec at any time in the year, to the product obtained by multiplying the average of the proportions each of which is referred to in the second paragraph of section 25 and established in respect of the individual or the individual's eligible spouse for the year, by the amount obtained by applying the percentage referred to in paragraph *c* of section 750 to the individual's qualified child care expenses for the year.

For the purposes of this section, if an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual's taxation year is the day on which the individual died or the last day the individual was resident in Canada.”

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

**469.** (1) Section 1029.8.80.2 of the Act is amended by replacing subparagraph *d* of the first paragraph by the following subparagraph:

“(*d*) at the time of the application, the individual is described in the portion of paragraph *c* of the definition of “child care expense” in section 1029.8.67 before subparagraph *i*.”

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

**470.** (1) Section 1029.8.81 of the Act is replaced by the following section:

**“1029.8.81.** For the purposes of section 1029.8.79, for the purpose of determining the qualified child care expense of an individual for a taxation year, the aggregate of the individual's child care expenses for the year is deemed to be equal to zero, if the individual is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Act respecting the Ministère du Revenu (chapter M-31).

For the purposes of paragraph *b* of the definition of “child care expense” in section 1029.8.67 and of subparagraphs *a* and *b* of the first paragraph of section 1029.8.79, a person is deemed not to be the eligible spouse of an individual for a taxation year if the person is exempt from tax for that year under any of the provisions referred to in the first paragraph.”

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

**471.** (1) Section 1029.8.101 of the Act is amended by replacing paragraph *a* of the definition of “eligible individual” by the following paragraph:

“(a) a person in respect of whom another individual receives, for the year, an amount deemed under section 1029.8.61.18 to be an overpayment of the other individual’s tax payable or a person in respect of whom another individual deducts an amount in computing the other individual’s tax payable for the year under section 776.41.14;”.

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

**472.** (1) Section 1029.8.110 of the Act is amended by replacing paragraph *a* of the definition of “eligible individual” by the following paragraph:

“(a) a person in respect of whom another individual receives, for the year, an amount deemed under section 1029.8.61.18 to be an overpayment of the other individual’s tax payable or a person in respect of whom another individual deducts an amount in computing the other individual’s tax payable for the year under section 776.41.14; or”.

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

**473.** (1) Section 1029.8.113 of the Act is replaced by the following section:

**“1029.8.113.** For the purposes of paragraph *c* of section 1029.8.114 and subparagraph *c* of the second paragraph of section 1029.8.114.1, a person is a dependant, during a taxation year, of an eligible individual for the year or of the eligible individual’s eligible spouse for the year if, during the year, the person is a person in respect of whom the individual or spouse receives, for the year, an amount deemed under section 1029.8.61.18 to be an overpayment of tax payable or deducts an amount under section 776.41.14 in computing the tax payable for the year.”

(2) Subsection 1 applies from the taxation year 2006. However, when section 1029.8.113 of the Act applies to the taxation year 2006, it is to be read as if “an amount under section 776.41.14 in computing the tax payable for the year” was replaced by “, for the year, an amount under section 752.0.1, as a consequence of the application of paragraph *b* or *c* of section 752.0.1”.

**474.** (1) Section 1029.8.114 of the Act is amended

(1) by replacing “\$38” in paragraphs *a* and *b* by “\$61”;

(2) by replacing “\$15” in paragraph *c* by “\$26”.

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

**475.** (1) The Act is amended by inserting the following section after section 1029.8.114:

**“1029.8.114.1.** An eligible individual for the taxation year 2006 who makes the application referred to in section 1029.8.114 for that year is deemed to have paid to the Minister in each of September and December 2007, on account of the eligible individual’s tax payable under this Part for the taxation year 2006, an amount equal to half of the amount by which the amount described in the second paragraph exceeds the aggregate of the amounts deemed under section 1029.8.114 to have been paid for that year by the eligible individual.

The amount to which the first paragraph refers is equal to the amount by which 15% of the eligible individual’s family income for the taxation year 2006 is exceeded by the amount obtained by multiplying the total of the following amounts by the number of months in the year during which the eligible individual lives in the territory of a northern village:

- (a) \$60 in respect of the eligible individual;
- (b) \$60 in respect of the eligible individual’s eligible spouse for the year, if applicable; and
- (c) \$25 in respect of each dependant, during the year, of the eligible individual or the eligible individual’s eligible spouse for the year.”

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

**476.** (1) The Act is amended by inserting the following section after section 1029.8.115:

**“1029.8.115.1.** For the purposes of section 1029.8.114.1, the following rules apply:

(a) if the aggregate of the amounts deemed under that section to have been paid by an eligible individual is equal to or less than \$50, the eligible individual is deemed to have paid that aggregate in September 2007 and no other amount is deemed to be paid under that section by the eligible individual for the taxation year 2006;

(b) if paragraph *b* of section 1029.8.115 applies to an eligible individual for the taxation year 2006, the amount deemed to have been paid in the month of September is to be reduced and the amount deemed to have been paid in the month of December is to be increased by an amount equal to half of the aggregate of the amounts deemed to have been paid under section 1029.8.114 by the eligible individual for the year; and

(c) no amount is deemed under that section to have been paid by an eligible individual for the taxation year 2006 in either September or December 2007 if the eligible individual was not resident in Québec at the beginning of



August 2007 with respect to the month of September and at the beginning of December 2007 with respect to the month of December.”

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

**477.** (1) The Act is amended by inserting the following section after section 1029.8.116:

**“1029.8.116.0.1.** If an eligible individual dies before 1 September 2007, the eligible individual may not be deemed to have paid to the Minister an amount under section 1029.8.114.1 for the taxation year 2006.

However, the amount that, but for the first paragraph, would be deemed to have been paid to the Minister by a deceased eligible individual before 1 September 2007 is deemed, subject to paragraph *c* of section 1029.8.115.1, to have been paid to the Minister by the eligible individual’s eligible spouse for the taxation year 2006, in each of September and December 2007, on account of tax payable under this Part for the taxation year 2006, if the eligible individual’s eligible spouse did not die before 1 September 2007 and provided that the eligible spouse makes an application in writing to the Minister on or before the day on which the legal representative of the eligible individual is required to file with the Minister under section 1000 the eligible individual’s fiscal return for the year of the eligible individual’s death, or would be required to file if tax were payable under this Part by the eligible individual for that year.

Despite the second paragraph, the eligible spouse is not required to make the application referred to in the second paragraph when the eligible spouse made the application referred to in the second paragraph of section 1029.8.116 in relation to an amount that, but for the first paragraph of section 1029.8.116, would be deemed to have been paid to the Minister by the deceased eligible individual in a month specified on account of tax payable for the taxation year 2006.”

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

**478.** (1) Section 1029.8.116.1 of the Act is amended by replacing paragraph *b* of the definition of “eligible individual” by the following paragraph:

“(b) a person in respect of whom another individual, in computing the other individual’s tax payable for the year, deducts an amount under section 752.0.1, as a consequence of the application of paragraph *d*, or under section 776.41.14;”.

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

**479.** (1) Section 1029.8.116.8 of the Act is amended, in the first paragraph,

(1) by replacing subparagraph *c* by the following subparagraph:

“(c) the eligible individual or the eligible individual’s eligible spouse for the year deducts an amount in computing the tax payable for the year in respect of that person under section 752.0.1, as a consequence of the application of paragraph *d* of that section, or could have deducted such an amount but for the person’s income for the year; or”;

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

“(d) that person is an eligible student for the year within the meaning of section 776.41.12.”

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

**480.** (1) The Act is amended by inserting the following after section 1029.8.125:

## “DIVISION II.21

### “CREDIT TO PROMOTE EDUCATION SAVINGS

#### “§1. — *Interpretation*

“**1029.8.126.** In this division,

“amount of eligible contributions” in respect of a beneficiary under an education savings plan for a taxation year means the amount that is the aggregate of all contributions each of which is a contribution made to the plan in the year by or on behalf of a subscriber under the plan in respect of the beneficiary, provided that the contribution has not been withdrawn from the plan at the time the application referred to in subparagraph *a* of the second paragraph of section 1029.8.128 is made, and provided that the beneficiary is under 17 years of age at the end of the preceding year and, if the beneficiary is 16 or 17 years of age at the end of the year, that the beneficiary is an eligible beneficiary for the year;

“beneficiary” has the meaning assigned by section 890.15;

“brother” includes, without reference to section 1, a person who is the son of the spouse of the father or mother of the beneficiary;

“Canada learning bond” has the meaning assigned by subsection 1 of section 2 of the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26);

“CES grant” has the meaning assigned by subsection 1 of section 2 of the Canada Education Savings Act;

“CLB account” has the meaning assigned by section 1 of the Canada Education Savings Regulations made under the Canada Education Savings Act;

“cohabiting spouse” has the meaning assigned by section 1029.8.61.8;

“education savings incentive account” of a registered education savings plan means an account that includes any amount received by a trust governed by the plan on account of an education savings incentive under section 1029.8.128;

“education savings incentive agreement” means the agreement described in section 1029.8.140;

“education savings plan” has the meaning assigned by section 890.15;

“educational assistance payment” has the meaning assigned by section 890.15;

“eligible beneficiary” for a taxation year means a beneficiary who is 16 or 17 years of age at the end of the year and in respect of whom

(a) a minimum of \$2,000 of contributions has been made to, and not withdrawn from, registered education savings plans before the end of the year in which the beneficiary reached 15 years of age;

(b) a minimum of \$100 of annual contributions has been made to, and not withdrawn from, registered education savings plans in at least any four years before the year in which the beneficiary reached 16 years of age;

(c) in the case of the year 2007, a registered education savings plan existed in at least four years before the year 2007; or

(d) in the case of the year 2008 and if the beneficiary reached 17 years of age in that year, a registered education savings plan existed in at least four years before the year 2007;

“grant account” has the meaning assigned by section 1 of the Canada Education Savings Regulations;

“increase amount” for a taxation year means, provided that an education savings plan has only one beneficiary or, if it has more than one, that those beneficiaries are brothers and sisters,

(a) if the applicable family income for the year in respect of the beneficiary is not more than \$37,500, the lesser of \$50 and 10% of the amount of eligible contributions in respect of the beneficiary under the plan for the year;

(b) if the applicable family income for the year in respect of the beneficiary is greater than \$37,500 but does not exceed \$75,000, the lesser of \$25 and 5% of the amount of eligible contributions in respect of the beneficiary under the plan for the year; and

(c) in any other case, zero;

“promoter” has the meaning assigned by paragraph *b* of the definition of “education savings plan” in section 890.15;

“sister” includes, without reference to section 1, a person who is the daughter of the spouse of the father or mother of the beneficiary;

“subscriber” has the meaning assigned by section 890.15;

“trust” has the meaning assigned by section 890.15.

For the purposes of the definition of “amount of eligible contributions” in the first paragraph, a contribution made to an education savings plan in a taxation year does not include the portion of the contribution that—if added to the other contributions made or deemed to be made, for the purposes of Part X.4 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to registered education savings plans in respect of the beneficiary, in the year or a preceding taxation year—exceeds the RESP lifetime limit for the year, within the meaning assigned by subsection 1 of section 204.9 of that Act.

**1029.8.127.** For the purposes of the definition of “increase amount” in the first paragraph of section 1029.8.126, the applicable family income for a particular taxation year in respect of a beneficiary means

(a) if only one individual is entitled to receive, for the first month of the year that follows the particular taxation year and in respect of the beneficiary, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual’s tax payable, the aggregate of the individual’s income for the taxation year that precedes the particular taxation year and the income, for that preceding taxation year, of the individual’s cohabiting spouse at the beginning of that month; or

(b) if more than one individual is entitled to receive, for the first month of the year that follows the particular taxation year and in respect of the beneficiary, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual’s tax payable, one half of the aggregate of the income of each of those individuals for the taxation year that precedes the particular taxation year and the income, for that preceding taxation year, of each cohabiting spouse, at the beginning of that month, of each of those individuals.

For the purposes of the first paragraph, the applicable family income for a particular taxation year in respect of a beneficiary is deemed to be equal to zero if the beneficiary is lodged or sheltered pursuant to the law at the beginning of the first month of the year that follows the particular taxation year.

“§2. — *Credit*

“**1029.8.128.** Subject to sections 1029.8.131 to 1029.8.134, if a trust governed by an education savings plan is resident in Québec at the end of a taxation year and the conditions set out in the second paragraph are met, an amount equal to the aggregate of the following amounts is deemed, at the end of the year and in respect of each beneficiary under the plan who is resident in Québec at the end of the year, to be an overpayment of the trust’s tax payable for that year under this Part (in this division referred to as the “education savings incentive”):

(a) the least of

i. 10% of the amount of eligible contributions in respect of the beneficiary for the year,

ii. \$500, and

iii. the unused CES grant room for the beneficiary for the year; and

(b) the increase amount in respect of the beneficiary for the year.

The conditions to which the first paragraph refers are as follows:

(a) the trustee under the plan files with the Minister an application for the education savings incentive in the manner described in the education savings incentive agreement

i. on or before the ninetieth day that follows the end of the year, or

ii. within such longer period as the Minister considers reasonable but not after 31 December of the third year that follows the year for which the education savings incentive is claimed; and

(b) at the time the application referred to in subparagraph *a* is made,

i. the plan is a registered education savings plan,

ii. the education savings incentive agreement is applicable in respect of the plan, and

iii. if the plan contract was entered into before 1 January 1999, it meets, at the end of the year, the registering conditions set out in section 895 that apply to a plan whose contract is entered into after 31 December 1998.

**“1029.8.129.** For the purposes of section 1029.8.128, a trust governed by an education savings plan is deemed to be resident in Québec at the end of a taxation year if, at the end of that year, it is resident in Canada outside Québec and has as a trustee a person who has an establishment in Québec and if, at the time the application for the education savings incentive is made, the education savings incentive agreement that is applicable in respect of the plan provides that

(a) the agreement is subject in all respects to the legislation in force in Québec;

(b) the trustee undertakes to pay to the Minister, on or before the ninetieth day of the year that follows the year for which it is payable, any tax that the trust is required to pay under Part III.15.1;

(c) the trustee recognizes the exclusive jurisdiction of the courts of Québec for any matter relating to this division, the agreement or a tax payable by the trust under Part III.15.1; and

(d) any judgment rendered against the trustee in relation to a matter referred to in paragraph c may be executed against the trustee at an establishment of the trustee situated in Québec.

**“1029.8.130.** For the purposes of subparagraph iii of subparagraph a of the first paragraph of section 1029.8.128, the unused CES grant room for a beneficiary for a particular taxation year is equal to the amount determined by the formula

$$(\$250 \times A) - B.$$

In the formula in the first paragraph,

(a) A is the number of years included in the period that begins on 1 January 2007 and ends on 31 December of the particular taxation year and in which the beneficiary is alive, other than any year at the end of which the beneficiary was not resident in Québec; and

(b) B is the aggregate of all amounts each of which is equal to the amount that would be the amount of the education savings incentive in respect of the beneficiary for any taxation year preceding the particular taxation year if the increase amount were nil.

**“1029.8.131.** The amount that a trust may receive on account of an education savings incentive under section 1029.8.128 in respect of a beneficiary for a particular taxation year may not be greater than the amount by which \$3,600 exceeds the aggregate of all amounts each of which is the amount by which the aggregate of all amounts each of which is an amount that a particular trust received on account of an education savings incentive under that section in respect of the beneficiary for a taxation year preceding the

particular taxation year exceeds the aggregate of all amounts each of which is a tax that the particular trust is required to pay under Part III.15.1 in respect of the beneficiary for the particular taxation year or a preceding taxation year.

**“1029.8.132.** If, for a taxation year, more than one trust may receive an amount on account of an education savings incentive under section 1029.8.128 in respect of the same beneficiary, the aggregate of all amounts that may be so received by the trusts for the year under that section may not exceed the amount (in sections 1029.8.133 and 1029.8.134 referred to as the “maximum amount of the education savings incentive for the year in respect of the beneficiary”) that could have been received for the year under section 1029.8.128 by a single trust if the aggregate of all amounts each of which is the amount of eligible contributions in respect of that beneficiary for the year had been made to a single registered education savings plan having only that beneficiary.

**“1029.8.133.** If, for a taxation year, more than one trust files with the Minister an application for the education savings incentive, in the manner described in the education savings incentive agreement, within the time provided for in subparagraph i of subparagraph a of the second paragraph of section 1029.8.128, in respect of the same beneficiary, and the aggregate of all amounts each of which would be, but for section 1029.8.132, an amount that each of the trusts may receive on account of an education savings incentive under section 1029.8.128 in respect of that beneficiary, exceeds the maximum amount of the education savings incentive for the year in respect of the beneficiary, the following rules apply:

(a) the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that is attributable, if applicable, to the increase amount must be apportioned among each of the trusts that is entitled to receive an amount deemed to be an overpayment of its tax payable on account of the increase amount in respect of the beneficiary for the year in the proportion that, for each trust, the amount of eligible contributions, up to \$500, made for the year in respect of the beneficiary to the registered education savings plan that governs the trust is of the aggregate of all amounts each of which is the amount of eligible contributions, up to \$500, made for the year in respect of the beneficiary to each of the registered education savings plans that governs each of those trusts; and

(b) the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that exceeds the increase amount must be apportioned among each of the trusts in the proportion that, for each trust, the amount of the eligible contributions made for the year in respect of the beneficiary to the registered education savings plan that governs the trust is of the aggregate of all amounts each of which is the amount of eligible contributions made for the year in respect of the beneficiary to each of the registered education savings plans that governs each of those trusts.

**“1029.8.134.** If, for a taxation year, a trust files with the Minister an application for the education savings incentive, in the manner described in the

education savings incentive agreement, within the time provided for in subparagraph ii of subparagraph *a* of the second paragraph of section 1029.8.128, in respect of a beneficiary under more than one registered education savings plan, the amount that the trust may receive for the year on account of an education savings incentive under that section in respect of that beneficiary may not exceed the aggregate of

(*a*) if the trust would be entitled to receive, but for this section, an amount deemed to be an overpayment of its tax payable on account of the increase amount, the amount by which the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that is attributable, if applicable, to the increase amount, exceeds any amount that another trust having the same beneficiary has received, for the year and in respect of the beneficiary, and that is deemed to be an overpayment of tax payable on account of the increase amount; and

(*b*) the amount by which the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that would have been received in respect of the beneficiary by the trust if the increase amount had been nil, exceeds any portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that would have been received in respect of the beneficiary by any other trust having the same beneficiary if the increase amount had been nil.

**“1029.8.135.** If, in a taxation year, a beneficiary under a registered education savings plan (in this section referred to as the “former beneficiary”) is replaced by another beneficiary (in this section referred to as the “new beneficiary”) a contribution made to the plan in the year and after 20 February 2007 by or on behalf of a subscriber under the plan for the former beneficiary is considered to have been made for the new beneficiary if the replacement made in the year is a recognized replacement.

For the purposes of the first paragraph, a recognized replacement means the replacement, at a particular time, of a former beneficiary under a registered education savings plan by a new beneficiary, if

(*a*) the new beneficiary had not reached 21 years of age before the particular time and was, at that time, the brother or sister of the former beneficiary; or

(*b*) both beneficiaries were, at the particular time, connected by blood relationship or adoption to an original subscriber under the plan and neither of them had reached 21 years of age before the particular time.

**“1029.8.136.** If, in a taxation year, a property held by a trust governed by a registered education savings plan (in this section and section 1029.8.137 referred to as the “transferor plan”), is the subject of an authorized transfer to a trust governed by another registered education savings plan (in this section and section 1029.8.137 referred to as the “transferee plan”), the contributions that were made in the year to the transferor plan before the time of the



authorized transfer and after 20 February 2007 in respect of a particular beneficiary, are deemed to have been made in the year to the transferee plan by or on behalf of the subscriber under the plan in respect of the particular beneficiary, up to

(a) if the authorized transfer concerned the aggregate of the properties held by the trust governed by the transferor plan and the particular beneficiary is the only beneficiary under the transferee plan at the time of the transfer, the aggregate of the contributions made in the year, after 20 February 2007 and before the time of the transfer, in respect of any beneficiary under the transferor plan;

(b) if the authorized transfer concerned the aggregate of the properties held by the trust governed by the transferor plan and the transferee plan has more than one beneficiary at the time of the transfer, the particular beneficiary's share, established according to the apportionment provided for in the transferee plan, of the aggregate of the contributions made in the year, after 20 February 2007 and before the time of the transfer, in respect of any beneficiary under the transferor plan;

(c) if the authorized transfer concerned a portion of the properties held by the trust governed by the transferor plan, other than properties included in a CLB account, and if the particular beneficiary is the only beneficiary under the transferee plan at the time of the transfer, the proportion of the aggregate of the contributions made in the year, after 20 February 2007 and before the time of the transfer, in respect of any beneficiary under the transferor plan, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account; and

(d) if the authorized transfer concerned a portion of the properties held by the trust governed by the transferor plan, other than properties included in a CLB account, and if the transferee plan has more than one beneficiary at the time of the transfer, the particular beneficiary's share, established according to the apportionment provided for in the transferee plan, in the proportion of the aggregate of the contributions made in the year, after 20 February 2007 and before the time of the transfer, in respect of any beneficiary under the transferor plan, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account.

For the purposes of the first paragraph, an authorized transfer means the transfer of properties held by a trust governed by a transferor plan to a trust governed by a transferee plan, if

(a) a beneficiary under the transferee plan

i. was, immediately before the transfer, a beneficiary under the transferor plan, or

ii. had not reached, at the time of the transfer, 21 years of age and was, immediately before the transfer, the brother or sister of a beneficiary under the transferor plan;

(b) at the time of the transfer

i. the transferee plan had only one beneficiary or, if it had more than one, every beneficiary was a brother or sister of every other beneficiary, or

ii. no amount deemed to be an overpayment of its tax payable on account of the increase amount had been received by the trust governed by the transferor plan; and

(c) the transferee plan meets the conditions for registration set out in section 895 that apply to education savings plans whose contract was entered into after 31 December 1998.

For the purposes of the first paragraph, the contributions made in a year to the transferor plan do not include the contributions that were withdrawn from the plan in the year.

**“1029.8.137.** If, in accordance with section 1029.8.136, there is an authorized transfer of properties held by a trust governed by a transferor plan to a trust governed by a transferee plan, the amount determined under the second paragraph must be, at the time of the authorized transfer, debited from the education savings incentive account of the transferor plan and credited to the education savings incentive account of the transferee plan by the trustee under each of those plans.

The amount to which the first paragraph refers is equal to

(a) if the authorized transfer is described in subparagraph *a* or *b* of the first paragraph of section 1029.8.136, the aggregate of the amounts held, at the time of the authorized transfer, in the trust governed by the transferor plan on account of the education savings incentive; and

(b) if the authorized transfer is described in subparagraph *c* or *d* of the first paragraph of section 1029.8.136, the proportion of the aggregate of the amounts held, at the time of the authorized transfer, in the trust governed by the transferor plan on account of the education savings incentive, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account.

If an amount is credited to the education savings incentive account of the transferee plan under this section, the amount is deemed to have been paid into the trust governed by the transferee plan.

**“1029.8.138.** If, in a taxation year, a portion of the properties held by a trust governed by a registered education savings plan (in this section referred to as the “transferor plan”), other than properties included in a CLB account, is paid into another trust governed by another registered education savings plan by means of a transfer, the proportion of the aggregate of the contributions made in the year, after 20 February 2007 and before the time of the transfer, in respect of any beneficiary under the transferor plan, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account, is deemed to have been withdrawn from the transferor plan before the end of the year.

**“1029.8.139.** In a particular taxation year, the withdrawal of contributions made to a registered education savings plan is deemed to be made in the following order:

(a) contributions made in the particular taxation year and, if the particular taxation year is the year 2007, after 20 February 2007, in the order in which they were made;

(b) contributions that were made in a taxation year preceding the particular taxation year and that gave rise to entitlement to the education savings incentive, in the order in which they were made;

(c) contributions that were made after 20 February 2007 in a taxation year preceding the particular taxation year and that did not give rise to entitlement to the education savings incentive, in the order in which they were made; and

(d) contributions made before 21 February 2007.

*“§3. — Administrative provisions*

**“1029.8.140.** An education savings incentive agreement means a written agreement that must be entered into between the Minister and the trustee under a trust governed by an education savings plan and under which the trustee undertakes, in particular,

(a) to provide the Minister with the information that the Minister requires for the purposes of this division, including the name, address and social insurance number of each beneficiary;

(b) to maintain a record containing the information enabling the determination of any amount relating to the education savings incentive;

(c) to keep an education savings incentive account and to credit to that account any amount received by the trust on account of the education savings incentive;

(d) to allow the Minister access to any information relating to contributions made to the plan after 20 February 2007, withdrawals of contributions, transfers and replacements of beneficiaries made after that date;

(e) in the case of a transfer described in section 1029.8.136, to send to the trustee under the trust governed by the transferee plan the amount of the contributions made to the transferor plan in respect of each of the beneficiaries for the period beginning, as the case may be, on 21 February 2007 if the year of the transfer is the year 2007 or on 1 January of the year of the transfer and ending on the date of the transfer;

(f) to make no apportionment of the education savings incentive and the income arising from it otherwise than among the beneficiaries under the plan;

(g) to make no distribution of the properties held by the trust governed by the plan, unless, immediately after the distribution, the fair market value of those properties is equal to or greater than the aggregate of the balances of the education savings incentive account, the grant account, the CLB account and any account of assistance paid in accordance with an agreement entered into with the government of a province under section 12 of the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26), or unless the distribution consists in making an educational assistance payment to a beneficiary under the plan and all of the educational assistance payment is attributable to the education savings incentive, a CES grant and the Canada learning bond;

(h) to report to the Minister the portion of an educational assistance payment made under the plan that is attributable to the education savings incentive; and

(i) to charge no fees relating to the plan in respect of the balance of the education savings incentive account.

**“1029.8.141.** For the purposes of an education savings incentive agreement, the Minister shall enter into a written agreement with the promoter of an education savings plan under which the promoter undertakes, in particular,

(a) to provide the plan’s trustee with the information that the Minister requires for the purposes of this division, in particular, the name, address, date of birth, confirmation of the place of residence and social insurance number of each beneficiary under the plan; and

(b) to charge no fees relating to the plan in respect of the balance of the education savings incentive account.

**“1029.8.142.** If an education savings incentive has been received by a trust under section 1029.8.128, the portion of an educational assistance payment made to a beneficiary under the registered education savings plan that is attributable to the education savings incentive is equal to

(a) if there is accumulated income in the plan at the time the educational assistance payment is made, the lesser of

i. the amount determined by the formula

$$A \times B / (C - D - E), \text{ and}$$

ii. the amount by which \$3,600 exceeds the aggregate of all amounts each of which is an amount determined under subparagraph *a* or *b* in respect of an educational assistance payment made previously to the beneficiary under the plan; or

(b) if there is no accumulated income in the plan at the time the educational assistance payment is made, the lesser of

i. the amount determined by the formula

$$A \times B / (B + F + G + H), \text{ and}$$

ii. the amount by which \$3,600 exceeds the aggregate of all amounts each of which is an amount determined under subparagraph *a* or *b* in respect of an educational assistance payment made previously to the beneficiary under the plan.

In the formulas in subparagraph i of subparagraphs *a* and *b* of the first paragraph,

(a) *A* is the amount of the educational assistance payment made to the beneficiary under the plan;

(b) *B* is the balance of the plan's education savings incentive account immediately before the educational assistance payment is made;

(c) *C* is the fair market value of the properties held by the trust governed by the plan, immediately before the educational assistance payment is made or, if applicable, on the prior date agreed on in the education savings incentive agreement applicable to the plan;

(d) *D* is the aggregate of the contributions that were made to the plan before the educational assistance payment is made and that have not been withdrawn;

(e) *E* is the total of the balance of each CLB account of the other beneficiaries under the plan, immediately before the educational assistance payment is made;

(f) *F* is the balance of the CLB account of the beneficiary under the plan, immediately before the educational assistance payment is made;

(g) G is the balance of the plan's grant account, immediately before the educational assistance payment is made; and

(h) H is the aggregate of all amounts paid into the plan under a program administered in accordance with an agreement entered into with the government of a province under section 12 of the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26).

For the purposes of the first paragraph, the portion of an educational assistance payment made to a beneficiary under the plan that is attributable to the education savings incentive is deemed to be equal to zero if

(a) the beneficiary under the plan is not resident in Québec at the time the educational assistance payment is made; or

(b) in the case where the plan allows more than one beneficiary at any one time, the beneficiary under the plan became a beneficiary under the plan after reaching 21 years of age, unless, before reaching that age, the beneficiary was a beneficiary under another registered education savings plan that allowed more than one beneficiary at any one time.

**“1029.8.143.** If a portion of an educational assistance payment made to a beneficiary under a registered education savings plan is attributable to an education savings incentive, the plan's trustee shall, at the time the educational assistance payment is made, debit the amount determined under section 1029.8.142 from the plan's education savings incentive account.

**“1029.8.144.** The trustee under a registered education savings plan shall, at the time of the payment by a trust of a tax under Part III.15.1 in relation to the plan, debit the amount of the payment from the plan's education savings incentive account.

**“1029.8.145.** Unless otherwise provided in this division, Book IX applies, with the necessary modifications, to the application referred to in the second paragraph of section 1029.8.128 as if it were a fiscal return filed under Title I of that Book.”

(2) Subsection 1 applies from the taxation year 2007 in respect of a contribution made to a registered education savings plan after 20 February 2007. However, when Division II.21 of Chapter III.1 of Title III of Book IX of Part I of the Act applies to the taxation year 2007,

(1) section 1029.8.126 of the Act is to be read

(a) as if “\$37,500” in paragraph *a* of the definition of “increase amount” in the first paragraph was replaced by “\$37,178”; and

(b) as if “\$37,500” and “\$75,000” in paragraph *b* of the definition of “increase amount” in the first paragraph were replaced by “\$37,178” and “\$74,357”, respectively; and

(2) section 1029.8.128 of the Act is to be read as if subparagraph i of subparagraph *a* of the second paragraph was replaced by the following subparagraph:

“i. on or before 30 June 2008, or”.

**481.** Section 1033.7 of the Act is amended, in the French text,

(1) by replacing “une attribution” in subparagraph *a* of the first paragraph by “une distribution”;

(2) by replacing “l’attribution” wherever it appears in the following provisions by “la distribution”:

— subparagraphs *a* and *b* of the first paragraph;

— the portion of subparagraph *a* of the second paragraph before subparagraph i;

— subparagraph ii of subparagraph *a* of the second paragraph;

— subparagraphs *a* to *c* of the third paragraph;

(3) by replacing “réfère le premier alinéa” in the portion of the second paragraph before subparagraph *a* by “le premier alinéa fait référence”;

(4) by replacing “chaque attribution” in subparagraph *b* of the third paragraph by “chaque distribution”.

**482.** Section 1033.8 of the Act is amended, in the French text,

(1) by replacing “l’attribution” in the first paragraph by “la distribution”;

(2) by replacing “réfère le premier alinéa” and “attribution” in the second paragraph by “le premier alinéa fait référence” and “distribution”, respectively.

**483.** (1) The Act is amended by inserting the following section after section 1034.0.0.2:

**“1034.0.0.3.** If a transferor and a transferee, within the meaning assigned to those expressions by the first paragraph of section 336.8, make a joint election under Chapter II.1 of Title VI of Book III in respect of a split-retirement income amount for a taxation year, determined in their respect for the purposes of that chapter, they are solidarily liable for the tax payable by the transferee under this Part for the year to the extent that that tax payable is greater than it would have been if no amount had been added because of the first paragraph of section 313.11 in computing the income of the transferee under this Part for the year.”

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

**484.** (1) Section 1034.6 of the Act is amended by replacing “section 1029.8.114” in the first paragraph by “section 1029.8.114 or 1029.8.114.1”.

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

**485.** (1) The Act is amended by inserting the following sections after section 1034.7:

**“1034.8.** If, for a taxation year, the Minister has refunded an amount to a trust governed by a registered education savings plan or has applied an amount to another of the trust’s liabilities, and that amount is greater than the amount that should have been refunded or applied, a beneficiary in respect of whom an educational assistance payment has been made under the plan is solidarily liable with the trust for payment of the excess amount, to the extent that the excess amount may reasonably be considered to relate to the application of section 1029.8.128 and up to the portion of the educational assistance payment that may reasonably be attributed to the excess amount.

However, nothing in this section limits the liability of the trust or the beneficiary under any other provision of this Act.

**“1034.9.** For the purposes of section 1034.8 and section 1035 when that section applies in respect of a beneficiary in relation to an amount payable under section 1034.8, “beneficiary”, “educational assistance payment” and “trust” have the meaning assigned by section 890.15.”

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

**486.** (1) Sections 1035 and 1036 of the Act are replaced by the following sections:

**“1035.** The Minister may at any time assess a transferee in respect of any amount payable under section 1034, a person in respect of any amount payable under section 1034.0.0.1, an individual in respect of any amount payable under subsections 1 and 2 of section 1034.1 or section 1034.0.0.2, a transferor in respect of any amount payable under section 1034.0.0.3, a person in respect of any amount payable by that person under subsection 2.1 of section 1034.1 or section 1034.2 or 1034.3, an eligible spouse of an individual in respect of any amount payable under section 1034.4 or 1034.6 or a beneficiary in respect of any amount payable under section 1034.8, and this Book applies, with the necessary modifications, to an assessment made under this section as though it had been made under Title II.

**“1036.** If a transferor and a transferee, an annuitant and an individual, a taxpayer and another person or a trust and a beneficiary are, under any of sections 1034 to 1034.0.0.3, 1034.1 to 1034.3, 1034.4, 1034.6 and 1034.8,



solidarily liable in respect of all or part of a liability of the transferor referred to in section 1034 (in this section referred to as the “transferor concerned”), the transferee referred to in section 1034.0.0.3 (in this section referred to as the “transferee concerned”), the annuitant, the taxpayer or the trust, as the case may be, the following rules apply:

(a) a payment by, and on account of the liability of, the transferee referred to in section 1034 (in this section referred to as the “other transferee”), the transferor referred to in section 1034.0.0.3 (in this section referred to as the “other transferor”), the individual, the other person or the beneficiary, as the case may be, discharges, up to the amount of the payment, the solidary liability; and

(b) a payment by, and on account of the liability of, the transferor concerned, the transferee concerned, the annuitant, the taxpayer or the trust, discharges the liability of the other transferee, the other transferor, the individual, the other person or the beneficiary, as the case may be, only to the extent that the payment operates to reduce the liability of the transferor concerned, the transferee concerned, the annuitant, the taxpayer or the trust to an amount less than the amount in respect of which the other transferee, the other transferor, the individual, the other person or the beneficiary is solidarily liable under any of sections 1034 to 1034.0.0.3, 1034.1 to 1034.3, 1034.4, 1034.6 and 1034.8.”

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

**487.** (1) Section 1038 of the Act is amended

(1) by replacing the portion of subparagraph *a* of the second paragraph before subparagraph ii by the following:

“(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, section 313.11 and Chapter II.1 of Title VI of Book III, exceeds the aggregate of

i. the aggregate of all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual’s income for the particular year;”;

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

“i. the aggregate of all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual’s income for the preceding taxation year;”;

(3) by replacing subparagraphs i to iii of subparagraph *a* of the third paragraph by the following subparagraphs:

“i. the tax payable by the individual for the particular year, determined without reference to the specified tax consequences for the particular year, section 313.11 and Chapter II.1 of Title VI of Book III, reduced by all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual’s income for the particular year,

“ii. the individual’s basic provisional account, established in accordance with the regulations made under section 1026, for the preceding taxation year, reduced by all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual’s income for the preceding taxation year, and

“iii. the individual’s basic provisional account, established in accordance with the regulations made under section 1026, for the second preceding taxation year, reduced by all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual’s income for the second preceding taxation year and the individual’s basic provisional account, established in the same manner, for the preceding taxation year, reduced by all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual’s income for that preceding taxation year; or”;

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

“Une société à laquelle le cinquième alinéa fait référence est une société qui n’est pas une société admissible, pour l’application du titre VII.2.4 du livre IV, pour l’année et qui remplit l’une des conditions suivantes :”.

(2) Paragraphs 1 to 3 of subsection 1 apply in respect of a payment to be made on or before a day that is subsequent to 31 December 2007.

**488.** (1) Section 1044.0.2 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) to be an excess amount referred to in section 32 of the Act respecting the Ministère du Revenu (chapter M-31) that has been refunded to the taxpayer on account of the taxpayer’s tax payable under this Part for the taxation year,

i. if section 359.8.1 applies in respect of expenses that the corporation incurred in the calendar year that follows that in which the corporation is purported to have renounced the amount, on 30 April of the calendar year that follows that subsequent calendar year, and

ii. in any other case, on 30 April of the calendar year that follows that in which the corporation is purported to have renounced the amount.”

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

**489.** (1) Section 1045.0.1 of the Act is amended by replacing “y visée” in the French text by “visée à cet article” and by replacing “the designation of an amount under section 752.0.10.13 for the particular taxation year” by “the designation, referred to in subparagraph *b* of the first paragraph of section 752.0.10.13, of an amount in relation to the particular taxation year”.

(2) Subsection 1 has effect from 20 December 2006.

**490.** (1) Section 1049 of the Act is amended by replacing subparagraph *c* of the fourth paragraph by the following subparagraph:

“(c) the amount otherwise deductible in computing the person’s income for the year because of subparagraph *a* or *b* of the first paragraph of section 1054 is deemed not to be deductible in computing the person’s income for the year.”

(2) Subsection 1 has effect from 20 December 2006.

**491.** (1) Section 1052 of the Act is amended by replacing “Division II.16 or II.17” in the portion before paragraph *a* by “any of Divisions II.16, II.17 and II.21”.

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

**492.** (1) Section 1053.0.2 of the Act is amended

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

“**1053.0.2.** If the amount of an overpayment by an individual for a taxation year as a consequence of the application, for the year, of Division II.16 or II.17 of Chapter III.1 of Title III, otherwise than as a consequence of the application of the second paragraph of any of sections 1029.8.109, 1029.8.116 and 1029.8.116.0.1, is refunded to, or applied to another liability of, the individual, interest on the overpayment is to be paid to the individual for the period ending on the day the overpayment is refunded or applied, and beginning on the day that is the latest of”;

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

“(a.1) 30 September 2007 if the overpayment relates to that month because of the application of section 1029.8.114.1;”.

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

**493.** (1) Section 1053.0.3 of the Act is amended

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

“**1053.0.3.** If the amount of an overpayment by an individual for a taxation year as a consequence of the application, for the year, of the second paragraph of any of sections 1029.8.109, 1029.8.116 and 1029.8.116.0.1, is refunded to, or applied to another liability of, the individual, interest on the overpayment is to be paid to the individual for the period ending on the day the overpayment is refunded or applied, and beginning on the day that is the latest of”;

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

“(a.1) 30 September 2007 if the overpayment relates to that month; and”.

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

**494.** (1) The Act is amended by inserting the following section after section 1053.0.3:

“**1053.0.4.** If the amount of an overpayment by a trust for a particular taxation year as a consequence of the application, for the particular year, of Division II.21 of Chapter III.1 of Title III, is refunded to, or applied to another liability of, the trust, interest on the overpayment is to be paid to the trust for the period ending on the day the overpayment is refunded or applied, and beginning

(a) if the particular taxation year is the year 2007,

i. on 15 May 2008 if the application referred to in subparagraph *a* of the second paragraph of section 1029.8.128 was filed with the Minister on or before 30 June 2008, and

ii. in any other case, on the forty-sixth day following the date on which the Minister received the application referred to in subparagraph *a* of the second paragraph of section 1029.8.128; and

(b) if the particular taxation year is subsequent to the year 2007, on the forty-sixth day following the later of

i. the ninetieth day following the end of the particular year, and

ii. the date on which the Minister received the application referred to in subparagraph *a* of the second paragraph of section 1029.8.128 for the particular year.”

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

**495.** (1) Section 1054 of the Act is amended

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

**“1054.** If the legal representative referred to in section 1055 disposes, in the circumstances described in that section, of one or more properties of the succession of the deceased taxpayer, the following rules apply despite any other provision of this Part:

(*a*) except for the purposes of section 741 and this subparagraph, the portion, corresponding, subject to the second paragraph, to the lesser of the following amounts, of a capital loss from the disposition of a particular capital property referred to in paragraph *a* of section 1055 is deemed to be a capital loss of the deceased taxpayer from the disposition of the particular capital property by the taxpayer in the taxpayer’s last taxation year and not to be a capital loss of the succession from the disposition of that capital property:

i. the total of

(1) the amount of the valid election made after 19 December 2006 by the legal representative under paragraph *c* of subsection 6 of section 164 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in relation to the disposition of the particular capital property, and

(2) if the total of the amounts of the valid elections made by the legal representative under paragraph *c* of subsection 6 of section 164 of the Income Tax Act in relation to the aggregate of the dispositions of properties of the succession corresponds to the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *c* in relation to the aggregate of those dispositions, the portion—that is specified by the legal representative, in the prescribed documents required under subparagraph *d*, in relation to the capital loss from the disposition of the particular capital property and that is not so specified in relation to another capital loss—of the portion of the excess amount referred to in paragraph *a* of section 1055 that is greater than the amount by which the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *c* in relation to the aggregate of the dispositions of properties of the succession exceeds the aggregate of all amounts each of which is the amount by which the amount referred to in subparagraph 1 in relation to a disposition of a capital property referred to in paragraph *a* of section 1055 exceeds the amount referred to in subparagraph ii in relation to that disposition, and

ii. the amount of the capital loss otherwise determined from the disposition of the particular capital property;

(*b*) the portion, corresponding, subject to the third paragraph, to the lesser of the following amounts, of a deductible amount described in paragraph *b* of section 1055 from the disposition of all the depreciable properties of a particular prescribed class of the succession is deductible in computing the

income of the deceased taxpayer for the year in which the taxpayer died and is not deductible in computing a loss of the succession for its first taxation year:

i. the total of

(1) the amount of the valid election made after 19 December 2006 by the legal representative under paragraph *d* of subsection 6 of section 164 of the Income Tax Act in relation to the disposition of depreciable properties of the particular prescribed class, and

(2) if the total of the amounts of the valid elections made by the legal representative under paragraph *d* of subsection 6 of section 164 of the Income Tax Act in relation to the aggregate of the dispositions of properties of the succession corresponds to the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *d* in relation to the aggregate of those dispositions, the portion—that is specified by the legal representative, in the prescribed documents required under subparagraph *d*, in relation to the deductible amount described in paragraph *b* of section 1055 from the disposition of all the depreciable properties of the particular prescribed class and that is not so specified in relation to another deductible amount described in that paragraph *b*—of the amount by which the amount described in the fourth paragraph exceeds the portion of the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *d* in relation to the aggregate of the dispositions of properties of the succession that is greater than the aggregate of all amounts each of which is the amount by which the amount referred to in subparagraph 1 in relation to the deductible amount described in paragraph *b* of section 1055 from the disposition of all the depreciable properties of a prescribed class of the succession exceeds the amount referred to in subparagraph ii in relation to that deductible amount, and

ii. the deductible amount described in paragraph *b* of section 1055, otherwise determined, from the disposition of all the depreciable properties of the particular prescribed class;”;

(2) by replacing “paragraph” in paragraph *c* by “subparagraph”;

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

“(d) the legal representative shall, within the prescribed time, file with the Minister an amended fiscal return in the name of the deceased taxpayer for the taxation year in which the taxpayer died and the prescribed documents.”;

(4) by adding the following paragraphs:

“However, if the aggregate of the amounts determined under subparagraph *a* of the first paragraph in relation to the disposition of the capital properties referred to in paragraph *a* of section 1055 would, but for this paragraph, be greater than the excess amount referred to in paragraph *a* of that section, the

amount otherwise determined under subparagraph *a* of the first paragraph in respect of such a capital property must, if applicable, be reduced to the amount specified in relation to that capital property by the legal representative of the deceased taxpayer in the prescribed documents required under subparagraph *d* of the first paragraph or, if no amount is so specified, by the Minister, so that the aggregate is equal to the excess amount referred to in paragraph *a* of section 1055.

“In addition, if the aggregate of the amounts determined under subparagraph *b* of the first paragraph in relation to the deductible amounts described in paragraph *b* of section 1055 would, but for this paragraph, be greater than the amount described in the fourth paragraph, the amount otherwise determined under subparagraph *b* of the first paragraph in respect of such a deductible amount must, if applicable, be reduced to the amount specified in relation to that deductible amount by the legal representative of the deceased taxpayer in the prescribed documents required under subparagraph *d* of the first paragraph or, if no amount is so specified, by the Minister, so that the aggregate is equal to the amount described in the fourth paragraph.

“The amount referred to in subparagraph 2 of subparagraph *i* of subparagraph *b* of the first paragraph and the third paragraph is equal to the amount that would, but for this section, represent the total of the non-capital loss and the farm loss of the succession for its first taxation year.

“Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 164 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**496.** (1) Section 1055 of the Act is replaced by the following section:

“**1055.** Section 1054 applies if, in the course of the administration of the succession of a deceased taxpayer, the legal representative of the deceased taxpayer disposes, within the first taxation year of the succession,

(*a*) of the capital properties of the succession with the result that capital losses exceed capital gains; or

(*b*) of all the depreciable properties of a prescribed class of the succession the undepreciated capital cost of which, at the end of the first taxation year of the succession, is deductible under section 130.1 or the regulations made under paragraph *a* of section 130 in computing the income of the succession for that year.”

(2) Subsection 1 has effect from 20 December 2006.

**497.** (1) The Act is amended by inserting the following section after section 1056.4:

**“1056.4.0.1.** On a written application by a taxpayer, the Minister may extend the time for making an election under Chapter II.1 of Title VI of Book III or grant permission for such an election made previously to be amended or revoked if

(a) the application is made on or before the day that is three calendar years after the taxpayer’s filing-due date for the taxation year for which the election applies; and

(b) the taxpayer is resident in Canada at the time of the application or, if the taxpayer is deceased at that time, at the time that is immediately before the taxpayer’s death.

The first paragraph does not apply to an election described in the definition of “joint election” in the first paragraph of section 336.8, enacted by the first paragraph of section 336.9.

However, if, in accordance with paragraph 3.201 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the Minister of National Revenue extends the time for making an election referred to in the second paragraph or grants permission for such an election made previously to be amended or revoked, the Minister is deemed, for the purposes of this Title, to have so extended the time for making the election or so granted permission for such an election to be amended or revoked, under the first paragraph.

The third paragraph does not apply if the taxpayer who applied for an extension of the time for making an election referred to in the second paragraph for a particular taxation year, or the other taxpayer with whom the election must be made, was a transferor who was resident in Québec at the end of that year or, if the transferor died in that year, at the time that is immediately before the transferor’s death, and who made a joint election within the meaning of the first paragraph of section 336.8 with the transferor’s eligible spouse for the particular year within the meaning of sections 776.41.1 to 776.41.4 that has not been revoked in accordance with a permission obtained under the first paragraph.”

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

**498.** (1) Section 1056.4.1 of the Act is amended by inserting the following paragraph after paragraph *a*:

“(a.1) a specification made under section 280.3 or 1054 in a fiscal return or other document is deemed to be a prescribed election; and”.

(2) Subsection 1 has effect from 20 December 2006.

**499.** (1) Section 1079.1 of the Act is amended, in the first paragraph,



(1) by replacing “a limited-recourse amount” in paragraph *b* of the definition of “gifting arrangement” by “a limited-recourse debt, determined under section 851.41.1,”;

(2) by striking out the definition of “limited-recourse amount”.

(2) Subsection 1 applies in respect of a gift made after 6:00 p.m. Eastern Standard Time on 5 December 2003.

**500.** Section 1092 of the Act is amended by replacing subparagraph *a* of the first paragraph of section 349.1 of the Act, enacted by subparagraph *i* of paragraph *c* of section 1092 of the Act, in the French text by the following subparagraph:

“«*a*) la réinstallation survient afin de lui permettre de fréquenter, à titre d’élève à plein temps inscrit à un programme de niveau postsecondaire, un établissement d’une université, d’un collège ou d’une autre institution, cet établissement étant appelé « nouveau lieu de travail » dans le présent chapitre;»”.

**501.** (1) Section 1096.1 of the Act is replaced by the following section:

**“1096.1.** If, in a taxation year, a person not resident in Canada ceases at any particular time to carry on a business described in paragraphs *a* to *g* of section 363 that the person was carrying on immediately before such cessation in one or more fixed places of business in Canada and either the person does not, after that time and during the same year, resume carrying on such a business at a fixed place of business in Canada or the person disposes of Canadian resource property at any time in the year during which the person was not carrying on such a business at a fixed place of business in Canada,

(*a*) in the case where the person is a corporation or a testamentary trust, a new taxation year is deemed to begin immediately after the particular time; and

(*b*) in the case where the person is an individual, other than a testamentary trust, the person’s taxation year is deemed to end at the particular time and a new taxation year is deemed to begin immediately after that time.”

(2) Subsection 1 applies in respect of the cessation of the carrying on of a business that occurs after 19 December 2006.

**502.** (1) Section 1096.2 of the Act is amended by replacing “that is deemed, under section 1096.1, to end at the particular time contemplated therein or to commence” by “that ends at the particular time referred to in section 1096.1 or that begins”.

(2) Subsection 1 applies in respect of the cessation of the carrying on of a business that occurs after 19 December 2006.

**503.** Section 1102 of the Act is amended by replacing “attribué” in the second paragraph in the French text by “distribué”.

**504.** (1) Section 1102.1 of the Act is amended by replacing “or depreciable property that is a taxable Québec property” in the first paragraph by “depreciable property that is a taxable Québec property or an incorporeal capital property that is a taxable Québec property”.

(2) Subsection 1 has effect from 24 December 1998. However, when the first paragraph of section 1102.1 of the Act applies before 17 March 2005, it is to be read as if “incorporeal” was replaced by “intangible”.

**505.** (1) Section 1102.4 of the Act is amended by replacing paragraph *f* by the following paragraph:

“(f) property of an authorized foreign bank that carries on a Canadian banking business;”.

(2) Subsection 1 has effect from 28 June 1999.

**506.** (1) Section 1120 of the Act is amended by replacing paragraph *c* by the following paragraph:

“(c) it complied with the prescribed conditions.”

(2) Subsection 1 applies from the taxation year 2000.

**507.** (1) Section 1120.0.1 of the Act is replaced by the following section:

“**1120.0.1.** If a trust becomes a mutual fund trust at any particular time before the 91st day after the end of its first taxation year, and the trust makes a valid election under subsection 6.1 of section 132 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006, the trust is deemed to have been a mutual fund trust from the beginning of that year until the particular time.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election made under subsection 6.1 of section 132 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

(2) Subsection 1 has effect from 20 December 2006.

**508.** (1) Section 1120.1 of the Act is amended

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

“(a) at that time, all or substantially all of its property is property other than property that would be taxable Canadian property of the trust if section 1094 was read without reference to its paragraph *b*; or”;

(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 has effect from 1 January 2004.

**509.** (1) Section 1121.7 of the Act is replaced by the following section:

**“1121.7.** Despite any other provision of this Act and subject to the second paragraph, if a trust has made a valid election under subsection 1 of section 132.11 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), other than an election in respect of which the rules set out in subsection 1.1 of section 132.11 of that Act apply as a result of an application made by the trust under that subsection 1.1 and granted by the Minister of National Revenue before 20 December 2006, the following rules apply:

(a) if a taxation year of the trust (determined for the purposes of the Income Tax Act) ends, because of paragraph *a* of subsection 1 of section 132.11 of that Act, on 15 December of a particular calendar year, the trust’s taxation year (determined for the purposes of this Act) that includes that date is deemed to end on that date; and

(b) if a taxation year of the trust (determined for the purposes of the Income Tax Act) ends, because of paragraph *a* of subsection 1 of section 132.11 of that Act, on 15 December of a particular calendar year, each of its taxation years (determined for the purposes of this Act) that end after that date is deemed, subject to section 1121.7.1, to be the period that begins on 16 December of a calendar year and ends on 15 December of the following calendar year or at such earlier time as is determined under paragraph *b* of section 785.5 or section 851.22.23.

If, because of a particular election made under subsection 1 of section 132.11 of the Income Tax Act, a particular taxation year of a trust (determined for the purposes of that Act) ended on 15 December 2006 and if a taxation year of the trust (determined for the purposes of this Act) ended on 31 December 2005, the following rules apply:

(a) if paragraph *a* of subsection 1.1 of section 132.11 of that Act does not apply in respect of the taxation year of the trust that follows the particular taxation year,

i. subparagraph *b* of the first paragraph does not apply in respect of a taxation year of the trust (determined for the purposes of this Act) that began before 16 December 2007, and

ii. the taxation year of the trust (determined for the purposes of this Act) that includes 15 December 2007 is deemed to end on that date and a new taxation year of the trust (determined for the purposes of this Act) is deemed to begin immediately after that date; and

(b) if paragraph *a* of subsection 1.1 of section 132.11 of that Act applies in respect of the taxation year of the trust that follows the particular taxation year, the first paragraph applies as if the particular election had not been made.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election made under subsection 1 of section 132.11 of the Income Tax Act.”

(2) Subsection 1 applies to a taxation year (determined for the purposes of the Act) that ends after 19 December 2006.

(3) In addition, when section 1121.7 of the Act has effect after 19 December 2006 and applies to a taxation year (determined for the purposes of the Act) that ends before 20 December 2006, it is to be read

(1) as if the portion before paragraph *a* was replaced by the following:

“**1121.7.** Despite any other provision of this Act, if a trust, other than a prescribed trust, that was a mutual fund trust on the 74th day after the end of a particular calendar year makes a valid election under subsection 1 of section 132.11 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 19 December 2006 in relation to its taxation year that includes 15 December of the particular calendar year, the following rules apply:”;

(2) as if “no fiscal return was filed” in paragraph *a* was replaced by “no return of income was filed under the Income Tax Act”; and

(3) as if the following paragraph was added:

“Chapter V.2 of Title II of Book I of Part I applies in relation to an election made under subsection 1 of section 132.11 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.”

**510.** (1) Section 1121.7.1 of the Act is amended

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

“**1121.7.1.** If, for the purposes of this Act, a particular taxation year of a trust ends on 15 December of a calendar year because of an election referred to in section 1121.7 or because of the second paragraph of that section, if the trust applies to the Minister of National Revenue, in accordance with subsection 1.1 of section 132.11 of the Income Tax Act (Revised Statutes of

Canada, 1985, chapter 1, 5th Supplement), to have that subsection 1.1 apply in relation to its taxation years that follow the particular year, and if the Minister of National Revenue grants the application after 19 December 2006, the following rules apply:”;

(2) by adding the following paragraph:

“Chapter V.2 of Title II of Book I of Part I applies in relation to an application made under subsection 1.1 of section 132.11 of the Income Tax Act and granted by the Minister of National Revenue.”

(2) Subsection 1 applies to a subsequent taxation year (determined for the purposes of the Act) that ends after 19 December 2006. In addition, if, because of an election made under section 1121.7 of the Act, a particular taxation year of a trust (determined for the purposes of the Act) ended on 15 December 2006, if a taxation year of the trust (determined for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement)) ended on 31 December 2006, and if the first paragraph of section 1121.7.1 of the Taxation Act, enacted by subsection 1, does not apply in respect of that election, the trust’s taxation year (determined for the purposes of the Act) that follows the particular taxation year is deemed to begin immediately after the end of the particular taxation year and end at the end of the calendar year 2006.

(3) In addition, when section 1121.7.1 of the Act has effect after 19 December 2006 and applies to a subsequent taxation year (determined for the purposes of the Act) that ends before 20 December 2006, it is to be read

(1) as if the portion before paragraph *a* was replaced by the following:

**“1121.7.1.** If, for the purposes of this Act, a particular taxation year of a trust ends on 15 December of a calendar year because of an election referred to in section 1121.7, if the trust applies to the Minister of National Revenue, in accordance with subsection 1.1 of section 132.11 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to have that subsection 1.1 apply in relation to its taxation years that follow the particular year, and if the Minister of National Revenue grants the application after 19 December 2006, the following rules apply:”;

(2) as if the following paragraph was added:

“Chapter V.2 of Title II of Book I of Part I applies in relation to an application made under subsection 1.1 of section 132.11 of the Income Tax Act and granted by the Minister of National Revenue, or to an application made under this section and granted by the Minister before 20 December 2006.”

**511.** (1) Section 1125.1 of the Act is amended

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

“**1125.1.** If a non-resident-owned investment corporation makes, at a particular time, a valid election for the purposes of subsection 1 of section 134.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), a new taxation year of the corporation is deemed to begin at that time.”;

(2) by replacing “réfère le premier alinéa” in the second paragraph in the French text by “le premier alinéa fait référence”.

(2) Paragraph 1 of subsection 1 applies in respect of an election made after 20 December 2006.

**512.** (1) Section 1129.0.0.1 of the Act is amended

(1) by replacing “III.1 to III.1.0.5, III.1.1, III.1.1.7 and III.10.1.1 to III.10.2” in the portion of the first paragraph before the definition of “government assistance” and in the second paragraph by “III.0.1, III.1 to III.1.0.5, III.1.1, III.1.1.2, III.1.1.3, III.1.1.7, III.10 and III.10.1 to III.10.2”;

(2) by replacing “, III.15 and III.16” in the portion of the third paragraph before the definition of “filing-due date” by “and III.15 to III.16”.

(2) Paragraph 1 of subsection 1 has effect from 24 March 2006.

**513.** Section 1129.0.0.6 of the Act is amended by replacing “and III.10.2” by “, III.10.2 and III.10.5”.

**514.** (1) Section 1129.0.1 of the Act is amended by inserting the following definition in alphabetical order:

““contract payment” has the meaning assigned by paragraph *c* of section 1029.8.17;”.

(2) Subsection 1 has effect from 24 March 2006.

**515.** (1) Section 1129.0.2 of the Act is amended by replacing the portion before subparagraph *b* of the second paragraph by the following:

“**1129.0.2.** Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.7, on account of the taxpayer’s tax payable under Part I, in relation to scientific research and experimental development, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the “repayment year”) in which

(a) an amount relating to wages or a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or partnership and the contract payment or assistance would have reduced, in accordance with subparagraph i or ii of subparagraph *c* of the first paragraph of section 1029.8.18, the amount of a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the taxpayer's filing-due date for the taxation year in which the research and development was undertaken.

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 1029.7, in relation to the research and development, 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 that section, in relation to the research and development, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to wages or a portion of a consideration paid by the taxpayer in respect of the research and development, or in respect of work relating to the research and development, were refunded, paid or allocated in the taxation year in which the scientific research and experimental development to which the wages or portion of the consideration relate was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the taxation year in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to wages or a consideration paid after that date.

**516.** (1) Section 1129.0.3 of the Act is amended

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

**“1129.0.3.** Every taxpayer who is a member of a particular partnership and who is deemed to have paid an amount to the Minister, under section 1029.8, on account of the taxpayer’s tax payable under Part I, in relation to scientific research and experimental development, shall pay the tax computed under the second paragraph for the taxation year in which ends a fiscal period of the particular partnership (in this section referred to as the “fiscal period of repayment”) in which

(a) an amount relating to wages or a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, is, directly or indirectly, refunded or otherwise paid to the particular partnership or taxpayer or allocated to a payment to be made by the particular partnership or taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or another partnership and the contract payment or assistance would have reduced, in accordance with subparagraph i or ii of subparagraph c of the first paragraph of section 1029.8.18, the amount of a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, if the person or the other partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the day that is six months after the end of the particular partnership’s fiscal period in which the research and development was undertaken.

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 under section 1029.8, in relation to the research and development, if the taxpayer’s share of the income or loss of the particular partnership for the particular partnership’s fiscal period that ends in the taxation year and the particular partnership’s income or loss for that 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 that section, for a taxation year, in relation to the research and development, if the taxpayer’s share of the income or loss of the particular partnership for the particular partnership’s fiscal period that ends in the taxation year and the particular partnership’s income or loss for that fiscal period were the same as those for the fiscal period of repayment and if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to wages or a portion of a consideration that the particular partnership paid in respect of the research and development, or in respect of work relating to the research and development, were refunded, paid or allocated in the particular partnership’s fiscal period in which the scientific research and experimental development to which the wages or portion of the consideration relate was undertaken, and



ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or another partnership at or before the end of the fiscal period of repayment, were received in the particular partnership's fiscal period in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and”;

(2) by replacing “partnership” and “partnership's” wherever they appear in subparagraph *b* of the second paragraph and in subparagraphs *a* and *b* of the third paragraph by “particular partnership” and “particular partnership's”, respectively.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to wages or a consideration paid after that date.

**517.** (1) Section 1129.0.4 of the Act is amended by replacing the portion before subparagraph *b* of the second paragraph by the following:

**“1129.0.4.** Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.6, on account of the taxpayer's tax payable under Part I, in relation to a university research contract or an eligible research contract under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the “repayment year”) in which

(a) an amount relating to a qualified expenditure paid in respect of the contract is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by 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, and the contract payment or assistance would have reduced, in accordance with subparagraph *iii* of subparagraph *c* of the first paragraph of section 1029.8.18, all or part of the amount of a qualified expenditure paid in respect of the contract, if the eligible university entity, the eligible public research centre or the eligible research consortium had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the taxpayer's filing-due date for the taxation year in which the scientific research and experimental development was undertaken.

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 1029.8.6, in relation to the contract, 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 that section, in relation to the contract, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to the amount of a qualified expenditure paid by the taxpayer in respect of the contract, 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

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by an eligible university entity, an eligible public research centre or an eligible research consortium, as the case may be, at or before the end of the repayment year, were received in the taxation year in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to the amount of a qualified expenditure paid after that date.

**518.** (1) Section 1129.0.5 of the Act is amended

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

**“1129.0.5.** Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.7, on account of the taxpayer’s tax payable under Part I, in relation to a university research contract or an eligible research contract under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for the taxation year in which ends a fiscal period of the partnership (in this section referred to as the “fiscal period of repayment”) in which

(a) an amount relating to a qualified expenditure paid in respect of the contract 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; or

(b) a contract payment, government assistance or non-government assistance is received by 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, and the contract payment or assistance would have reduced, in accordance with subparagraph *iii* of subparagraph *c* of the first paragraph of section 1029.8.18, all or part of the amount of a qualified expenditure paid in respect of the contract, if the eligible university entity, the eligible public research centre or the eligible research consortium had received it, had been entitled to receive it or could

reasonably have expected to receive it on or before the day that is six months after the end of the partnership's fiscal period in which the scientific research and experimental development was undertaken.”;

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

“(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 that section, for a taxation year, in relation to the contract, if the taxpayer's share of the income or loss of the partnership for the partnership's fiscal period that ends in the taxation year and the partnership's income or loss for that fiscal period were the same as those for the fiscal period of repayment and if”;

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

“ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by an eligible university entity, an eligible public research centre or an eligible research consortium, as the case may be, at or before the end of the fiscal period of repayment, were received in the partnership's fiscal period in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to the amount of a qualified expenditure paid after that date.

**519.** (1) Section 1129.0.8 of the Act is amended by replacing the portion before subparagraph *b* of the second paragraph by the following:

“**1129.0.8.** Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.10 or 1029.8.16.1.4, on account of the taxpayer's tax payable under Part I, in relation to an agreement under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the “repayment year”) in which

(a) an amount relating to a qualified expenditure that is made in respect of the agreement is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or partnership and the contract payment or assistance would have reduced, in accordance with subparagraph *iv* of subparagraph *c* of the first paragraph of section 1029.8.18, all or part of a qualified expenditure made in respect of the scientific research and experimental development, if

the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the taxpayer's filing-due date for the taxation year in which the scientific research and experimental development was undertaken.

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 that section, in relation to the agreement, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, 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

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by the person or partnership at or before the end of the repayment year, were received in the taxation year in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to a qualified expenditure made after that date.

**520.** (1) Section 1129.0.9 of the Act is amended

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

**“1129.0.9.** Every taxpayer who is a member of a particular partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.11 or 1029.8.16.1.5, on account of the taxpayer's tax payable under Part I, in relation to an agreement under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for the taxation year in which ends a fiscal period of the particular partnership (in this section referred to as the “fiscal period of repayment”) in which

(a) an amount relating to a qualified expenditure that is made in respect of the agreement is, directly or indirectly, refunded or otherwise paid to the particular partnership or to the taxpayer or allocated to a payment to be made by the particular partnership or the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or another partnership and the contract payment or assistance would have reduced, in accordance with subparagraph iv of subparagraph c of the first paragraph of section 1029.8.18, all or part of a qualified expenditure made in respect of the scientific research and experimental development, if the person or the other partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the day that is six months after the end of the particular partnership's fiscal period in which the scientific research and experimental development was undertaken.

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 under section 1029.8.11 or 1029.8.16.1.5, in relation to the agreement, if the taxpayer's share of the income or loss of the particular partnership for the particular partnership's fiscal period that ends in the taxation year and the particular partnership's income or loss for that 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 that section, for a taxation year, in relation to the agreement, if the taxpayer's share of the income or loss of the particular partnership for the particular partnership's fiscal period that ends in the taxation year and the particular partnership's income or loss for that fiscal period were the same as those for the fiscal period of repayment and if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to a qualified expenditure made by the particular partnership in respect of the agreement, were refunded, paid or allocated in the particular partnership's fiscal period in which the scientific research and experimental development to which the expenditure relates was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph b of the first paragraph that is received by a person or another partnership at or before the end of the fiscal period of repayment, were received in the particular partnership's fiscal period in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and”;

(2) by replacing “partnership” and “partnership's” wherever they appear in subparagraph b of the second paragraph and in subparagraphs a and b of the third paragraph by “particular partnership” and “particular partnership's”, respectively.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to a qualified expenditure made after that date.

**521.** (1) Section 1129.4.3.6 of the Act is amended by replacing the portion before subparagraph *b* of the second paragraph by the following:

**“1129.4.3.6.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.9, on account of its tax payable under Part I for a particular taxation year, in relation to its qualified labour expenditure for the particular year in respect of a property that is a multimedia title, 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 an expenditure included in computing the qualified labour expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with paragraph *b* of section 1029.8.36.0.3.10.1, the amount of a portion of a consideration included in computing the qualified labour expenditure, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation’s filing-due date for the particular taxation year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.9 or 1029.8.36.0.3.11, in relation to its qualified labour expenditure for the particular year in respect of the property, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.9 or 1029.8.36.0.3.11, in relation to the qualified labour expenditure, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing the qualified labour expenditure, were refunded, paid or allocated in the particular year, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the particular year; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of assistance received, after 23 March 2006, in relation to a salary or wages, or to a consideration, paid after that date.

**522.** (1) Section 1129.4.3.10 of the Act is amended by replacing the portion before subparagraph *b* of the second paragraph by the following:

**“1129.4.3.10.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.19, on account of its tax payable for a particular taxation year under Part I, in relation to its qualified labour expenditure for the particular 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

(a) an amount relating to an expenditure included in computing the qualified labour expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with paragraph *b* of section 1029.8.36.0.3.21, the amount of a portion of a consideration included in computing the qualified labour expenditure, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation’s filing-due date for the particular taxation year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.19 or 1029.8.36.0.3.22, in relation to its qualified labour expenditure for the particular year, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.19 or 1029.8.36.0.3.22, in relation to the qualified labour expenditure, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing the qualified labour expenditure, were refunded, paid or allocated in the particular year, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the particular year; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of assistance received, after 23 March 2006, in relation to a salary or wages, or to a consideration, paid after that date.

**523.** (1) Section 1129.42 of the Act is replaced by the following section:

**“1129.42.** In this Part, “contract payment”, “qualified designer”, “qualified outside consultant”, “qualified patternmaker” and “wages” have the meaning assigned by section 1029.8.36.4.”

(2) Subsection 1 has effect from 7 November 2007. In addition, when section 1129.42 of the Act applies before that date and after 23 March 2006, it is to be read as if

(1) the following definition was inserted in alphabetical order:

““qualified designer” has the meaning assigned by section 1029.8.36.4;”  
and

(2) the following definitions were inserted in alphabetical order:

““contract payment” has the meaning assigned by section 1029.8.36.4;

““qualified patternmaker” has the meaning assigned by section 1029.8.36.4;

““wages” has the meaning assigned by section 1029.8.36.4.”

**524.** (1) Section 1129.43 of the Act is replaced by the following section:

**“1129.43.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.5, on account of its tax payable under Part I for a particular taxation year, in respect of an expenditure incurred by the corporation in the particular year in relation to a design activity carried out under a contract entered into with a qualified outside consultant, 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 expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) a contract payment, government assistance or non-government assistance is received by a person or partnership and the contract payment or assistance would have reduced, in accordance with subparagraph *a* of the first paragraph of section 1029.8.36.18, the wages paid to a qualified designer or qualified patternmaker by the person or partnership and to which the expenditure is attributable, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation’s filing-due date for the particular taxation year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.5 or 1029.8.36.20, in relation to the expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.5 or 1029.8.36.20, in relation to the expenditure, if



i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to the expenditure, were refunded, paid or allocated in the particular taxation year, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by the person or partnership at or before the end of the repayment year, were received 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, in relation to the expenditure.”

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to an expenditure made, or wages paid, after that date under a contract entered into with a qualified outside consultant after 21 April 2005.

(3) In addition, when section 1129.43 of the Act applies in respect of an amount refunded, paid or allocated between 21 April 2005 and 24 March 2006 and relating to an expenditure incurred in that period under a contract entered into with a qualified outside consultant in that period, it is to be read as follows:

**“1129.43.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.5, on account of its tax payable under Part I for a particular taxation year, in respect of an expenditure incurred by the corporation in the particular year in relation to a design activity carried out under a contract entered into with a qualified outside consultant, 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 expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.5 or 1029.8.36.20, in relation to the expenditure, exceeds the total of

(*a*) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.5 or 1029.8.36.20, in relation to the expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the expenditure, 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 corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the expenditure.”

**525.** (1) Section 1129.44 of the Act is amended

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

**“1129.44.** Every corporation that is a member of a particular partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.6, on account of its tax payable under Part I for a particular taxation year, in respect of an expenditure that, in relation to a design activity carried out under a contract entered into with a qualified outside consultant, the particular partnership incurred in the particular partnership’s particular fiscal period that ends in the particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the particular partnership (in this section referred to as the “fiscal period of repayment”) in which

(a) an amount relating to the expenditure is, directly or indirectly, refunded or otherwise paid to the particular partnership or to the corporation or allocated to a payment to be made by the particular partnership or the corporation; or

(b) a contract payment, government assistance or non-government assistance is received by a person or another partnership and the contract payment or assistance would have reduced, in accordance with subparagraph i of subparagraph c of the first paragraph of section 1029.8.36.18, the corporation’s share of wages that are paid to a qualified designer or qualified patternmaker by the person or the other partnership and to whom the expenditure is attributable, if the person or the other partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the day that is six months after the end of the particular fiscal period.

“The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the particular partnership preceding the fiscal period of repayment ends, under any of sections 1029.8.36.6, 1029.8.36.21 and 1029.8.36.22, in relation to the expenditure, if the corporation’s share of the income or loss of the particular partnership for that preceding fiscal period and the particular 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 corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.6, 1029.8.36.21 and 1029.8.36.22, for a taxation year in which a fiscal period of the particular partnership preceding the fiscal period of repayment ends, in relation to the expenditure, if the corporation’s share of the income or loss of the particular partnership for that preceding fiscal period and the particular partnership’s income or loss for that preceding fiscal period were the same as those for the fiscal period of repayment and if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to the expenditure, were refunded, paid or allocated in the particular fiscal period, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by the person or the other partnership at or before the end of the fiscal period of repayment, were received in the particular fiscal period; and

(*b*) the aggregate of all amounts each of which is a tax that the corporation 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 expenditure, if the corporation's share of the income or loss of the particular partnership for the particular partnership's fiscal period that ends in the preceding taxation year and the particular partnership's income or loss for that fiscal period were the same as those for the fiscal period of repayment.”;

(2) by replacing “partnership” and “partnership's” wherever they appear in subparagraphs *a* and *b* of the third paragraph by “particular partnership” and “particular partnership's”, respectively.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of a contract payment or assistance received, after 23 March 2006, in relation to an expenditure incurred, or wages paid, after that date under a contract entered into with a qualified outside consultant after 21 April 2005.

(3) In addition, when section 1129.44 of the Act applies in respect of an amount refunded, paid or allocated between 21 April 2005 and 24 March 2006 and relating to an expenditure incurred in that period under a contract entered into with a qualified outside consultant in that period, it is to be read:

(1) as if the portion before subparagraph ii of subparagraph *a* of the second paragraph was replaced by the following:

**“1129.44.** Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.6, on account of its tax payable under Part I for a particular taxation year, in respect of an expenditure that, in relation to a design activity carried out under a contract entered into with a qualified outside consultant, the partnership incurred in the particular fiscal period of the partnership that ends in the particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the “fiscal period of repayment”) in which an amount relating to the expenditure 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 tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, under any of sections 1029.8.36.6, 1029.8.36.21 and 1029.8.36.22, in relation to the expenditure, if the corporation'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 corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.6, 1029.8.36.21 and 1029.8.36.22, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the expenditure, 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 expenditure, were refunded, paid or allocated in the particular fiscal period, and"; and

(2) as if subparagraph *b* of the second paragraph was replaced by the following subparagraph:

“(b) the aggregate of all amounts each of which is a tax that the corporation 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 expenditure, if the corporation'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.”

**526.** (1) Section 1129.45.1 of the Act is replaced by the following section:

“**1129.45.1.** In this Part, “construction expenditure”, “conversion expenditure”, “cost of construction”, “cost of conversion”, “eligible vessel”, “qualified construction expenditure” and “qualified conversion expenditure” have the meaning assigned by Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I.”

(2) Subsection 1 has effect from 7 November 2007. In addition, when section 1129.45.1 of the Act applies before that date and after 23 March 2006, it is to be read as if

(1) the following definition was inserted in alphabetical order:

““construction expenditure” has the meaning assigned by Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I;”;

(2) the following definition was inserted in alphabetical order:

““conversion expenditure” has the meaning assigned by Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I;”.

**527.** (1) Section 1129.45.2 of the Act is amended by replacing the portion before subparagraph *b* of the second paragraph by the following:

**“1129.45.2.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.55, on account of its tax payable under Part I, in relation to an eligible vessel, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the “repayment year”) in which

(*a*) an amount relating to an expenditure included in computing a qualified construction expenditure of the corporation in respect of the vessel, or the cost of construction of the vessel to the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(*b*) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with subparagraph *a.1* of the third paragraph of section 1029.8.36.54 or subparagraph *i* of subparagraph *a* of the second paragraph of section 1029.8.36.55, the amount of a portion of a consideration paid in respect of a construction expenditure of the corporation in respect of the vessel or the cost of construction of the vessel to the corporation, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation’s filing-due date for the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the cost of construction to which the assistance relates.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.55, in relation to the eligible vessel, exceeds the total of

(*a*) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, in relation to the vessel, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing a qualified construction expenditure of the corporation in respect of the vessel or in computing the cost of construction of the vessel to the corporation, were refunded, paid or allocated in the taxation year in which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the cost of construction to which the assistance relates; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of assistance received, after 23 March 2006, in relation to a consideration paid, or another expenditure incurred, after that date.

**528.** (1) Section 1129.45.2.1 of the Act is amended by replacing the portion before subparagraph *b* of the second paragraph by the following:

**“1129.45.2.1.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.55.1, on account of its tax payable under Part I, in relation to an eligible vessel, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the “repayment year”) in which

(a) an amount relating to an expenditure included in computing a qualified conversion expenditure of the corporation in respect of the vessel, or the cost of conversion of the vessel to the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with subparagraph *a.1* of the third paragraph of section 1029.8.36.54 or subparagraph *i* of subparagraph *a* of the second paragraph of section 1029.8.36.55.1, the amount of a portion of a consideration paid in respect of a conversion expenditure of the corporation in respect of the vessel or the cost of conversion of the vessel to the corporation, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation’s filing-due date for the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the cost of conversion to which the assistance relates.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.55.1, in relation to the eligible vessel, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, in relation to the vessel, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing a qualified conversion expenditure of the corporation in respect of the vessel or

in computing the cost of conversion of the vessel to the corporation, were refunded, paid or allocated in the taxation year in which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the conversion cost to which the assistance relates; and”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated, or of assistance received, after 23 March 2006, in relation to a consideration paid, or another expenditure incurred, after that date.

**529.** Section 1129.45.20 of the Act is amended by striking out “except Division II.6.10 of Chapter III.1 of Title III of Book IX,” in the portion before paragraph *a*.

**530.** (1) Section 1129.52 of the Act is amended

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

“**1129.52.** Every trust that, at the end of a taxation year, is an environmental trust resident in Québec shall pay a tax for the year equal to the amount obtained by applying the basic rate that would be determined in its respect for the year under section 771.0.2.3.1 if the trust were a corporation other than a financial institution or an oil refining corporation, within the meaning assigned to those expressions by section 771.1, to its income determined under Part I for the year.”;

(2) by replacing “678” in the second paragraph by “680”.

(2) Paragraph 1 of subsection 1 applies to a taxation year that ends after 20 February 2007.

(3) Paragraph 2 of subsection 1 has effect from 21 December 2002.

**531.** (1) Section 1129.60 of the Act is amended

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

“**1129.60.** Every corporation that purported to renounce an amount in a calendar year under section 359.2 or 359.2.1, because of the application of section 359.8, shall pay a tax, for each month of the year, except the month of January, unless section 1129.60.1 is applicable to the corporation in respect

of the amount so renounced, equal to the amount determined in its respect by the formula

$$[(A - B)/2] \times (C/12 + D/10).”;$$

(2) by striking out “of this paragraph” in subparagraph *b* of the second paragraph.

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

**532.** (1) The Act is amended by inserting the following section after section 1129.60:

**“1129.60.1.** If a corporation purported to renounce an amount in a particular calendar year under section 359.2 or 359.2.1, because of the application of section 359.8, in respect of expenses it has incurred in the subsequent calendar year, and if those expenses are deemed under section 359.8.1 to have been incurred on the last day of the calendar year preceding the particular calendar year, the following rules apply:

(a) the corporation shall pay a tax, for each month of the particular calendar year, except the month of January, equal to the amount determined by the formula

$$[(A - B)/2] \times (C/12); \text{ and}$$

(b) the corporation shall pay a tax, for each month of the subsequent calendar year, equal to the amount determined by the formula

$$[(A - B)/2] \times (C/12 + D/10).$$

In the formulas in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that the corporation purported to renounce in the particular calendar year under section 359.2 or 359.2.1, because of the application of section 359.8, in respect of expenses incurred or to be incurred in connection with production or potential production in Québec;

(b) B is the aggregate of all the expenses that are incurred by the corporation at or before the end of the month in the particular calendar year or in the subsequent calendar year and that relate to a renunciation in respect of which an amount is included in the aggregate referred to in subparagraph *a*;

(c) C is the rate of interest prescribed for the purposes of subsection 3 of section 164 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for the month; and



(d) D is 1 if the month for which a tax is determined under this Part for the subsequent taxation year is the month of December of that year, and zero in any other case.”

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

**533.** (1) The Act is amended by inserting the following after section 1129.66:

**“PART III.15.1**

**“SPECIAL TAXES RELATING TO THE CREDIT TO PROMOTE  
EDUCATION SAVINGS**

**“1129.66.1.** In this Part,

“balance-due day” has the meaning assigned by section 1;

“beneficiary” has the meaning assigned by section 890.15;

“brother” has the meaning assigned by the first paragraph of section 1029.8.126;

“CLB account” has the meaning assigned by the first paragraph of section 1029.8.126;

“education savings incentive” has the meaning assigned by the first paragraph of section 1029.8.128;

“education savings incentive account” has the meaning assigned by the first paragraph of section 1029.8.126;

“educational assistance payment” has the meaning assigned by section 890.15;

“grant account” has the meaning assigned by the first paragraph of section 1029.8.126;

“increase amount” has the meaning assigned by the first paragraph of section 1029.8.126;

“registered education savings plan” has the meaning assigned by section 1;

“sister” has the meaning assigned by the first paragraph of section 1029.8.126;

“trust” has the meaning assigned by section 890.15.

**“1129.66.2.** If a contribution in respect of which an amount on account of an education savings incentive was received under section 1029.8.128 by a particular trust governed by a registered education savings plan, is withdrawn

from the plan, otherwise than in connection with an eligible withdrawal or a transfer to another trust governed by another registered education savings plan, and no beneficiary under the plan is eligible to receive an educational assistance payment, the particular trust shall pay, for the taxation year in which the contribution is withdrawn, tax equal to the lesser of

(a) the balance of the plan's education savings incentive account immediately before the end of the year; and

(b) the amount determined by the formula

$$A/B \times C.$$

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

(a) A is the balance of the plan's education savings incentive account immediately before the end of the year;

(b) B is the aggregate of the contributions made to the plan immediately before the end of the year in respect of which an education savings incentive was received by the particular trust, except such a contribution that was withdrawn from the plan in a preceding taxation year; and

(c) C is the amount of the contribution withdrawn from the plan.

For the purposes of the first paragraph, "eligible withdrawal" means a withdrawal that is all or part of an excess amount of contributions to the registered education savings plan if the withdrawal is intended to reduce the amount of tax payable under Part X.4 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

**1129.66.3.** If, in a taxation year, the aggregate of all amounts each of which is the portion, determined in accordance with section 1029.8.142, of an educational assistance payment received by a beneficiary that is attributable to the education savings incentive, exceeds \$3,600, the beneficiary shall pay for the year tax equal to the excess amount.

**1129.66.4.** If any of the events mentioned in the second paragraph occurs in a taxation year, a trust governed by a registered education savings plan shall pay, for that year, tax equal to the lesser of

(a) the balance of the plan's education savings incentive account immediately before the event occurs; and

(b) the amount by which the fair market value of the properties held by the trust, immediately before the event occurs, exceeds the aggregate of the balances of the plan's grant account and CLB accounts immediately before the event occurs.

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

- (a) the cessation of the plan's existence;
- (b) the revocation of the plan's registration;
- (c) the payment of an amount referred to in paragraph *b* or *d* of the definition of "trust" in section 890.15;
- (d) the making of an educational assistance payment to an individual who is not a beneficiary under the plan;
- (e) the replacement of a beneficiary under the plan by another beneficiary, except for a recognized replacement described in the second paragraph of section 1029.8.135; and
- (f) the transfer of properties held by the trust governed by the plan to another trust governed by another registered education savings plan, except for an authorized transfer described in the second paragraph of section 1029.8.136.

**“1129.66.5.** If a trust governed by a registered education savings plan received an amount deemed under section 1029.8.128 to be an overpayment of its tax payable on account of an increase amount and if, in a calendar year, an individual who is neither the brother nor the sister of the other beneficiaries under the plan becomes a beneficiary under the plan, the trust shall pay, for that year, tax equal to the lesser of

- (a) the balance of the plan's education savings incentive account immediately before the time the individual becomes a beneficiary; and
- (b) the amount by which the fair market value of the properties held by the trust, immediately before the time the individual becomes a beneficiary, exceeds the aggregate of the balances of the plan's grant account and CLB accounts immediately before that time.

**“1129.66.6.** A trust that is required to pay tax under this Part for a taxation year shall, on or before the trust's filing-due date for the year,

- (a) file with the Minister, without notice or demand, a return under this Part in the prescribed form containing prescribed information;
- (b) estimate, in the return, the amount of its tax payable under this Part for the year; and
- (c) pay to the Minister the amount of its tax payable under this Part for the year.

“**1129.66.7.** A beneficiary shall pay to the Minister for a taxation year, on or before the beneficiary’s balance-due day for the year, the beneficiary’s tax payable under this Part for the year.

“**1129.66.8.** Unless otherwise provided in this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.”

(2) Subsection 1 has effect from 21 February 2007. However, when section 1129.66.1 of the Act applies before 15 May 2009, it is to be read

(1) as if the following definition was inserted in alphabetical order:

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

(2) as if the following definition was inserted in alphabetical order:

““filing-due date” has the meaning assigned by section 1;”.

**534.** (1) The Act is amended by inserting the following after section 1129.69:

#### “PART III.17

#### “TAX RELATING TO SIFT ENTITIES

“**1129.70.** In this Part, unless the context indicates otherwise,

“Canadian real, immovable or resource property” means

(a) a property that would, but for the definition of “real or immovable property”, be a real or immovable property situated in Canada;

(b) a Canadian resource property;

(c) a timber resource property;

(d) a share of the capital stock of a corporation, an income or a capital interest in a trust or an interest in a partnership, if more than 50% of the fair market value of the share or interest is derived directly or indirectly from one or any combination of properties described in paragraphs *a* to *c*; or

(e) any right to or interest in a property described in any of paragraphs *a* to *d*;

“Canadian resident partnership” at any time means a partnership that, at that time,

(a) is a Canadian partnership, within the meaning of section 1;

(b) would, if it were a corporation, be resident in Canada, being thus considered a partnership that has its central management and control in Canada; or

(c) was formed under the laws of a province;

“entity” means a corporation, trust or partnership;

“equity value” of an entity at any time means the fair market value at that time of the aggregate of

(a) if the entity is a corporation, all of the issued and outstanding shares of the capital stock of the corporation;

(b) if the entity is a trust, all of the income or capital interests in the trust; and

(c) if the entity is a partnership, all of the interests in the partnership;

“establishment” has the meaning assigned by sections 12 to 16.2;

“investment”, in a trust or partnership, means

(a) a property that is a security of the trust or partnership; or

(b) a right which may reasonably be considered to replicate a return on, or the value of, a security of the trust or partnership;

“non-portfolio earnings” of a SIFT entity for a taxation year means the aggregate of

(a) the amount by which the aggregate of all amounts each of which is the entity’s income for the year determined under Part I and derived from a business carried on by it in Canada or from a non-portfolio property (other than income that is a taxable dividend received by the entity), exceeds the aggregate of all amounts each of which is the entity’s loss for the year determined under Part I and derived from a business carried on by it in Canada or from a non-portfolio property; and

(b) the amount by which the aggregate of the allowable capital losses of the entity determined under Part I and derived from dispositions of non-portfolio properties during the year is exceeded by the aggregate of

i. the taxable capital gains of the entity determined under Part I and derived from dispositions of non-portfolio properties during the year, and

ii. if the entity is a SIFT trust, one half of the aggregate of all amounts each of which is deemed under section 1106 to be a capital gain of the trust for the year in respect of its non-portfolio properties for the year;

“non-portfolio property” of a trust or partnership for a taxation year means a property, held by the trust or partnership at any time in the year, that is

(a) a security of a subject entity, if at that time the trust or partnership holds

i. securities of the subject entity that have a total fair market value that is greater than the amount that is 10% of the equity value of the subject entity, or

ii. securities of the subject entity and securities of entities affiliated with the subject entity that together have a total fair market value that is greater than the amount that is 50% of the equity value of the trust or partnership;

(b) a Canadian real, immovable or resource property, if at any time in the year the total fair market value of all properties held by the trust or partnership that are Canadian real, immovable or resource properties is greater than the amount that is 50% of the equity value of the trust or partnership; or

(c) a property that the trust or partnership, or a person or partnership with whom the trust or partnership does not deal at arm’s length, uses at that time in the course of carrying on a business in Canada;

“public market” includes any trading system or other organized facility on which securities that are qualified for public distribution are listed or traded, but does not include a facility that is operated solely to carry out the issuance of a security or its redemption, acquisition or cancellation by its issuer;

“qualified property” of a trust means a property, held by the trust, that is

(a) a real or immovable property situated in Canada;

(b) a security of a subject entity, if the entity derives all or substantially all of its revenues from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of another entity of which the trust holds a share or an interest, including real or immovable properties that the trust, or the other entity, holds together with one or more other persons or partnerships;

(c) a security of a subject entity, if the entity holds no property other than

i. titles of ownership in real or immovable properties of the trust, including real or immovable properties that the trust holds together with one or more other persons or partnerships, or

ii. property described in paragraph *d*; or

(d) ancillary to the earning by the trust of the amounts described in subparagraph i or iii of paragraph *b* of the definition of “real estate investment trust”;

“real estate investment trust” for a taxation year means a trust that is resident in Canada throughout the year, if

(a) the trust at no time in the year holds any non-portfolio property other than qualified properties;

(b) not less than 95% of the trust’s revenues for the year are derived from one or any combination of the following sources:

- i. rent from real or immovable properties,
- ii. interest,
- iii. capital gains from dispositions of real or immovable properties,
- iv. dividends, and
- v. royalties;

(c) not less than 75% of the trust’s revenues for the year are derived from one or any combination of the following sources:

- i. rent from real or immovable properties, to the extent that it is derived from real or immovable properties situated in Canada,
- ii. interest payable on debts secured by hypothecs on real or immovable properties situated in Canada, and
- iii. capital gains from dispositions of real or immovable properties situated in Canada; and

(d) at no time in the year is the total fair market value of all properties held by the trust—each of which is a real or immovable property situated in Canada, cash, or a property described in clause C of subparagraph ii of paragraph *b* of subsection 1 of section 212 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement)—less than 75% of the equity value of the trust at that time;

“real or immovable property” of a taxpayer includes a security held by the taxpayer that is a security of a trust that satisfies the conditions set out in paragraphs *a* to *d* of the definition of “real estate investment trust” or a security of another entity that would, if it were a trust, satisfy those conditions, or an interest in real property or a real right in an immovable, other than a right to a rental or royalty described in paragraph *d* or *d.1* of section 370, but does not include a depreciable property, other than

(a) a property included, for the purposes of Part I, in Class 1, 3 or 31 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1), otherwise than by an election permitted by regulation;

(b) a property ancillary to the ownership or utilization of a property described in paragraph *a*; or

(c) a lease in, or a leasehold interest in respect of, land or property described in paragraph *a*;

“rent from real or immovable properties” includes rent or similar payments for the use of, or right to use, real or immovable properties and the amounts paid for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection with the rental of real or immovable properties, but does not include

(a) amounts paid for services supplied or rendered, other than such ancillary services, to the tenants of real or immovable properties;

(b) fees for managing or operating real or immovable properties;

(c) amounts paid for the occupation of, use of, or right to use a room in a hotel or other similar lodging facility; or

(d) rent based on profits;

“security” of a particular entity means any right, whether immediate or future and whether absolute or contingent, conferred by the particular entity or by an entity that is affiliated with the particular entity, to receive an amount that can reasonably be considered to be all or any part of the capital, of the revenue or of the income of the particular entity, or as interest paid or payable by the particular entity, and includes

(a) a liability of the particular entity;

(b) if the particular entity is a corporation,

i. a share of the capital stock of the corporation, and

ii. a right to control in any manner whatever the voting rights of a share of the capital stock of the corporation;

(c) if the particular entity is a trust, an income or a capital interest in the particular entity;

(d) if the particular entity is a partnership, an interest as a member of the particular entity; and

(e) a right to, or to acquire, anything described in this paragraph and any of paragraphs *a* to *d*;



“SIFT entity”, being a specified investment flow-through entity, means a SIFT trust or a SIFT partnership;

“SIFT partnership”, being a specified investment flow-through partnership, for a taxation year, means a partnership that meets the following conditions at any time during the year:

- (a) the partnership is a Canadian resident partnership;
- (b) investments in the partnership are listed or traded on a stock exchange or other public market; and
- (c) the partnership holds one or more non-portfolio properties;

“SIFT partnership balance-due day” for a taxation year means the day, determined in accordance with section 1086R23.3 of the Regulation respecting the Taxation Act, on or before which the partnership return provided for in section 1086R23.1 of that Regulation is required to be filed for the year;

“SIFT trust”, being a specified investment flow-through trust, for a taxation year means a trust, other than a real estate investment trust for the year, that meets the following conditions at any time during the year:

- (a) the trust is resident in Canada;
- (b) investments in the trust are listed or traded on a stock exchange or other public market; and
- (c) the trust holds one or more non-portfolio properties;

“subject entity” means a person or partnership that is

- (a) a corporation resident in Canada;
- (b) a trust resident in Canada;
- (c) a Canadian resident partnership; or
- (d) a person not resident in Canada, or a partnership that is not described in paragraph *c*, the principal source of income of which is one or any combination of sources in Canada;

“taxable distributions amount”, of a SIFT trust for a taxation year, means the lesser of

- (a) the taxable income for the year of the SIFT trust, determined under Part I, or, if the SIFT trust is not subject to taxation under Part I, the amount that would be its taxable income for the year if it were determined in accordance with Part I, on the assumption that its income is equal to the amount determined in its respect in accordance with paragraph *b*; and

(b) the amount determined by the formula

$A/(1 - (B + C))$ ;

“taxable non-portfolio earnings” of a SIFT partnership, for a taxation year, means the lesser of

(a) the amount that would, if the SIFT partnership were a taxpayer for the purposes of Part I and if section 600 were read without reference to its paragraph *d*, be its income for the year as determined under section 28; and

(b) its non-portfolio earnings for the year;

“taxation year” means

(a) in the case of a partnership, a fiscal period within the meaning of Part I;

(b) in the case of a trust, a calendar year; and

(c) in any other case, a taxation year within the meaning of Part I.

In the formula in the definition of “taxable distributions amount” in the first paragraph,

(a) A is the SIFT trust’s non-deductible distributions amount for the taxation year, within the meaning of section 663.4;

(b) B is the basic rate, expressed as a decimal fraction, that is determined in respect of the SIFT trust for the taxation year under the third paragraph of section 1129.71 or, if the SIFT trust has an establishment outside Québec in the year, the aggregate of the following rates:

i. that basic rate represented by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as that proportion would be determined under Chapters I and II of Title XX of the Regulation respecting the Taxation Act if the SIFT trust were a corporation, and

ii. the provincial SIFT tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act and expressed as a percentage, that would be applicable to the SIFT trust for the year if that definition applied in respect of the SIFT trust for that year and if section 414 of the Income Tax Regulations made under that Act were read without reference to its subsection 4; and

(c) C is the net corporate income tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act for the taxation year.

Any amount deducted by a SIFT trust, in accordance with paragraph *a* of the definition of “taxable distributions amount” in the first paragraph, in computing the amount that would have been its taxable income for a taxation year in which it is not subject to tax under Part I, is deemed to have been deducted in computing its taxable income for the year for the purposes of Part I.

In this Part, “capital interest”, “capital property”, “depreciable property”, “disposition”, “income interest”, “person”, “property”, “share”, “taxpayer” and “trust” have the meaning assigned by section 1.

**“1129.71.** A SIFT entity for a taxation year that has an establishment in Québec at any time in the year shall pay tax under this Part that is equal to the amount determined by the formula

$$A \times B.$$

In the formula in the first paragraph,

(*a*) A is

i. if the SIFT entity is a SIFT trust for the year, its taxable distributions amount for the year, or

ii. if the SIFT entity is a SIFT partnership for the year, the taxable non-portfolio earnings of the partnership for the year; and

(*b*) B is the basic rate determined in respect of the entity for the year under the third paragraph.

For the purposes of subparagraph *b* of the second paragraph, the basic rate that must be determined in respect of a SIFT entity for a taxation year is equal to

(*a*) if the taxation year begins before 1 January 2009, the total of

i. the proportion of 9.9% that the number of days in the taxation year that follow 31 December 2006 but precede 1 June 2007 is of the number of days in the taxation year,

ii. the proportion of 11.9% if the SIFT entity would be a financial institution or an oil refining corporation, within the meaning of section 771.1, if it were a corporation, or of 9.9% in any other case, that the number of days in the taxation year that follow 31 May 2007 but precede 1 January 2008 is of the number of days in the taxation year,

iii. the proportion of 11.9% if the SIFT entity would be a financial institution or an oil refining corporation, within the meaning of section 771.1, if it were a corporation, or of 11.4% in any other case, that the number of days in the taxation year that follow 31 December 2007 but precede 1 January 2009 is of the number of days in the taxation year, and

iv. the proportion of 11.9% that the number of days in the taxation year that follow 31 December 2008 is of the number of days in the taxation year; and

(b) if the taxation year begins after 31 December 2008, 11.9%.

If a SIFT entity referred to in the first paragraph has an establishment outside Québec in the year, its tax payable under this Part for the year is equal to the portion of that tax otherwise determined that is the proportion that the business it carries on in Québec is of the entire business it carries on in Canada or Québec and elsewhere, as it would be determined under Chapters I and II of Title XX of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1), if the SIFT entity were a corporation.

For the purposes of this Part, a SIFT entity for a taxation year that has non-portfolio properties for the year is deemed to carry on a business in respect of those non-portfolio properties.

**“1129.72.** This Part applies without reference to section 603.1.

**“1129.73.** Every member of a SIFT partnership that is liable to pay tax under this Part for a taxation year shall—on or before the day, determined in accordance with section 1086R23.3 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1), on which the partnership return provided for in section 1086R23.1 of that Regulation is required to be filed for the year—file with the Minister a return for the year in the prescribed form containing an estimate of the amount of tax payable by the partnership under this Part for the year.

**“1129.74.** For the purposes of section 1129.73, an information return filed with the Minister by a particular member of a partnership who has the authority to act on its behalf, in relation to a taxation year of the partnership, is deemed to have been filed with the Minister by each member of the partnership for the year if the particular member has filed the return for the year in accordance with this Part.

In those circumstances, a return filed with the Minister by another member of the partnership for the year is deemed not to be valid and not to have been filed by a member of the partnership.

**“1129.75.** Unless otherwise provided in this Part, Chapters IV and IV.1 of Title II of Book I of Part I and sections 647, 1000 to 1024, 1026, 1026.0.1 and 1037 to 1079.16 apply, with the necessary modifications, to this Part and, for the purpose of applying this Part to a SIFT entity that is a SIFT partnership,

(a) the notice of assessment referred to in section 1008 in respect of tax payable under this Part is valid despite the fact that a partnership is not a person; and

(b) despite section 1010, the Minister may at any time make an assessment or reassessment of tax payable under this Part or Part I to give effect to a determination made by the Minister under section 1007.1, including an assessment or reassessment of tax payable under Part I in respect of the disposition of an interest in a SIFT partnership by a member of the partnership.

**“1129.76.** A SIFT partnership shall pay to the Minister its tax payable under this Part for a taxation year on or before its SIFT partnership balance-due day for the year.”

(2) Subsection 1 has effect from 31 October 2006 except when it enacts the definitions of “SIFT partnership” and “SIFT trust” in the first paragraph of section 1129.70 of the Act, in which case it applies, subject to subsection 3, to a taxation year of a trust or partnership that ends after 31 December 2006.

(3) Despite subsection 2,

(1) the definition of “SIFT trust” applies to a trust that would have been a SIFT trust on 31 October 2006 if that definition had been in force and had applied to the trust as of that date, only from a taxation year of the trust that ends after 31 December 2010 or, if it is earlier, from the taxation year of the trust determined in accordance with subsection 2 of section 122.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) from which the trust is a SIFT trust for the purposes of the Income Tax Act; and

(2) the definition of “SIFT partnership” applies to a partnership that would have been a SIFT partnership on 31 October 2006 if that definition had been in force and had applied to the partnership as of that date, only from a taxation year of the partnership that ends after 31 December 2010 or, if it is earlier, from the taxation year of the partnership determined in accordance with subsection 8 of section 197 of the Income Tax Act from which the partnership is a SIFT partnership for the purposes of the Income Tax Act.

**535.** (1) Section 1130 of the Act is amended

(1) by replacing the definition of “financial statements” by the following definition:

““financial statements” means either the financial statements submitted to the shareholders of a corporation or to the members of a partnership or joint venture, as the case may be, and prepared in accordance with generally accepted accounting principles or, if the financial statements are consolidated financial statements, the non-consolidated financial statements prepared in accordance with the same generally accepted accounting principles as those that apply in preparing the consolidated financial statements or,

(a) if such financial statements have not been prepared, such financial statements had they been prepared in accordance with generally accepted accounting principles or, in the case where the financial statements that

should have been prepared are consolidated financial statements, such non-consolidated financial statements had they been prepared in accordance with the same generally accepted accounting principles as those that would have applied in preparing consolidated financial statements; or

(b) if such financial statements have not been prepared in accordance with generally accepted accounting principles, such financial statements had they been prepared in accordance with generally accepted accounting principles or, in the case where the financial statements that were not prepared in accordance with generally accepted accounting principles are consolidated financial statements, such non-consolidated financial statements prepared in accordance with the same generally accepted accounting principles as those that should have applied in preparing the consolidated financial statements;”;

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

““bond” means a negotiable debt security issued to several lenders of funds to meet a need for long-term financing;”.

(2) Paragraph 1 of subsection 1 applies to a taxation year that ends after 31 January 2007.

(3) Paragraph 2 of subsection 1 applies to a taxation year that ends after 24 May 2007. It also applies to a taxation year that ended before 25 May 2007 and in respect of which an application for adjustment concerning, for the purposes of paragraph *b* of section 1137 or paragraph *a* of subsection 1 of section 1138 of the Act, an issued security’s qualification as a “bond” is filed with the Minister of Revenue after 23 May 2007.

**536.** (1) Section 1132.4 of the Act is amended

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

**“1132.4.** The rate referred to in paragraph *a* of section 1132 in respect of a corporation for a taxation year that begins before 1 January 2011 is equal to

(a) if the taxation year begins and ends in the same calendar year, the base percentage for that calendar year; and

(b) if subparagraph *a* does not apply, the total of the percentages each of which is the proportion of the base percentage for a calendar year that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year.”;

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

“(e) 0.48%, for the calendar year 2009; and”;

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

“(f) 0.24%, for the calendar year 2010.”

(2) Paragraph 1 of subsection 1 applies from the taxation year 2006. In addition, when it applies to the taxation year 2006, subparagraph *a* of the second paragraph of section 1132.4 of the Act is to be read as follows:

“(a) 1.2%, for the calendar year 2004 or 2005;”.

**537.** (1) Section 1132.5 of the Act is amended

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

“**1132.5.** The rate referred to in paragraph *c* of section 1132 in respect of a corporation for a taxation year that begins before 1 January 2011 is equal to

(a) if the taxation year begins and ends in the same calendar year, the base percentage for that calendar year; and

(b) if subparagraph *a* does not apply, the total of the percentages each of which is the proportion of the base percentage for a calendar year that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year.”;

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

“(e) 0.24%, for the calendar year 2009; and”;

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

“(f) 0.12%, for the calendar year 2010.”

(2) Paragraph 1 of subsection 1 applies from the taxation year 2006. In addition, when it applies to the taxation year 2006, subparagraph *a* of the second paragraph of section 1132.5 of the Act is to be read as follows:

“(a) 0.6%, for the calendar year 2004 or 2005;”.

**538.** Section 1135 of the Act is amended by adding “and if its taxation year begins before 1 January 2011” at the end of the second paragraph.

**539.** (1) Section 1135.1 of the Act is amended, in the first paragraph,

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

**“1135.1.** If a corporation to which Title I of Book III applies is the owner at the end of a particular taxation year of a property described in any of sections 1135.3 to 1135.3.1 that the corporation acquired in that year, or is a member of a partnership at the end of a particular fiscal period of the partnership that ends in the corporation’s particular taxation year and at that time the partnership is the owner of a property described in any of sections 1135.3 to 1135.3.1 that the partnership acquired in that particular fiscal period, the corporation may deduct from its tax otherwise payable under this Part for the particular taxation year a particular amount equal to the aggregate of”;

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

“(a.1) 10% of the aggregate of

i. the aggregate of all amounts each of which is the amount by which the aggregate of the costs incurred by the corporation in the particular taxation year to acquire such a property described in section 1135.3.0.1, except an amount incurred with a person with whom the corporation or a specified shareholder of the corporation does not deal at arm’s length, that are related to a business carried on by the corporation in the particular year in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that year, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that particular year, and

ii. the aggregate of all amounts each of which is the amount by which the corporation’s share of the amount by which the aggregate of the costs incurred by the partnership in the particular fiscal period to acquire such a property described in section 1135.3.0.1, except an amount incurred with a person with whom a corporation that is a member of the partnership or a specified shareholder of that corporation does not deal at arm’s length, that are related to a business carried on by the partnership in the particular fiscal period in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that particular fiscal period, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the



corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period; and”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**540.** (1) Section 1135.2 of the Act is amended by replacing “subparagraphs *a* and *b*” in subparagraphs *a* and *b* of the second paragraph by “any of subparagraphs *a* to *b*”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**541.** (1) Section 1135.3 of the Act is amended

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

“**1135.3.** The property to which the first paragraph of section 1135.1 refers is a property described in Class 43 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1), other than a property described in section 1135.3.0.1 or 1135.3.1, that”;

(2) by striking out “and before 1 January 2008” in paragraph *a*.

(2) Paragraph 1 of subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

(3) Paragraph 2 of subsection 1 has effect from 25 May 2007.

**542.** (1) The Act is amended by inserting the following section after section 1135.3:

“**1135.3.0.1.** The property to which the first paragraph of section 1135.1 and section 1135.3 refer is a property described in Class 43 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1), other than a property described in section 1135.3.1, that

(*a*) is acquired after 20 February 2007, but is not a property acquired pursuant to an obligation in writing entered into before 21 February 2007 or the construction of which, if applicable, by or on behalf of the purchaser, had begun before 20 February 2007;

(*b*) begins to be used within a reasonable time after being acquired;

(*c*) is used solely in Québec and mainly in the course of carrying on a business; and

(d) was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever.”

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**543.** (1) Section 1135.3.1 of the Act is replaced by the following section:

**“1135.3.1.** The property to which the first paragraph of section 1135.1 and sections 1135.3 and 1135.3.0.1 refer is a property described in Class 43 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) that

(a) is acquired after 23 March 2006 (other than a property described in paragraph *b* or a property acquired pursuant to an obligation in writing entered into before 24 March 2006 or the construction of which, if applicable, by or on behalf of the purchaser, had begun before 23 March 2006) and that

- i. begins to be used within a reasonable time after being acquired,
- ii. is used solely in Québec in the course of carrying on a business and mainly in

(1) sawmill and wood preservation activities included in the group described under code 3211 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada,

(2) activities involved in the manufacturing of veneer, plywood and engineered wood products included in the group described under code 3212 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada, excluding activities involved in the manufacturing of structural wood products included in the class described under code 321215 of that publication, or

(3) activities relating to pulp, paper and paperboard mills included in the group described under code 3221 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada, and

iii. was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever; or

(b) is acquired after 23 November 2007 (other than a property acquired pursuant to an obligation in writing entered into before 24 November 2007 or the construction of which, if applicable, by or on behalf of the purchaser, had begun before 23 November 2007) and that

- i. begins to be used within a reasonable time after being acquired,

ii. is used solely in Québec and mainly in the course of carrying on a business, and

iii. was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever.”

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 23 November 2007. In addition, when section 1135.3.1 of the Act applies

(1) in respect of costs incurred to acquire a property after 20 February 2007 and before 24 November 2007, the portion before paragraph *a* is to be read as follows:

**“1135.3.1.** The property to which the first paragraph of section 1135.1 and sections 1135.3 and 1135.3.0.1 refer is a property described in Class 43 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) that”; and

(2) from 25 May 2007, paragraph *a* is to be read without reference to “and before 1 January 2010”.

**544.** (1) Section 1135.4 of the Act is amended

(1) by replacing “section 1135.3 or 1135.3.1” in the portion before paragraph *a* by “any of sections 1135.3 to 1135.3.1”;

(2) by replacing “of subparagraph *a* or *b*” in paragraph *a* and in the portion of paragraph *b* before subparagraph *i* by “of any of subparagraphs *a* to *b*”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**545.** (1) Section 1135.6 of the Act is amended by replacing “pays, at a particular time in a taxation year and before 1 January 2009” in the portion before paragraph *a* by “pays at a particular time in a taxation year”.

(2) Subsection 1 has effect from 25 May 2007.

**546.** (1) The Act is amended by inserting the following section after section 1135.6:

**“1135.6.0.1.** If a corporation pays at a particular time in a taxation year, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.0.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph *i* or *ii* of subparagraph *a.1* 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:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the corporation as costs to acquire, in the year, a property of which the corporation is the owner at the end of the year and that meets the conditions set out in section 1135.3.0.1; and

(b) the costs referred to in paragraph *a* are deemed to be related to a business that the corporation carries on in the year in Québec and included, at the end of that year, in the capital cost of the property.”

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**547.** (1) Section 1135.6.1 of the Act is amended by replacing “pays, at a particular time in a taxation year and before 1 January 2011” in the portion before paragraph *a* by “pays at a particular time in a taxation year”.

(2) Subsection 1 has effect from 25 May 2007.

**548.** (1) Section 1135.7 of the Act is amended by replacing “pays, at a particular time in a particular fiscal period and before 1 January 2009” in the portion before paragraph *a* by “pays at a particular time in a particular fiscal period”.

(2) Subsection 1 has effect from 25 May 2007.

**549.** (1) The Act is amended by inserting the following section after section 1135.7:

**“1135.7.0.1.** If a partnership pays at a particular time in a particular fiscal period, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.0.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph ii of subparagraph *a.1* 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:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the partnership as costs to acquire, in the particular fiscal period, a property of which the partnership is the owner at the end of that particular fiscal period and that meets the conditions set out in section 1135.3.0.1; and

(b) the costs referred to in paragraph *a* are deemed to be related to a business that the partnership carries on in the particular fiscal period in Québec and included, at the end of that fiscal period, in the capital cost of the property.”

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**550.** (1) Section 1135.7.1 of the Act is amended by replacing “pays, at a particular time in a particular fiscal period and before 1 January 2011” in the portion before paragraph *a* by “pays at a particular time in a particular fiscal period”.

(2) Subsection 1 has effect from 25 May 2007.

**551.** (1) Section 1135.7.2 of the Act is amended by replacing “either of subparagraphs *a* and *b*” in paragraph *a* by “any of subparagraphs *a* to *b*”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**552.** (1) Section 1135.7.3 of the Act is amended by replacing “subparagraph *a* or *b*” in the portion before paragraph *a* by “any of subparagraphs *a* to *b*”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**553.** (1) Section 1135.8 of the Act is amended by replacing “section 1135.3” in the portion before paragraph *a* by “section 1135.3 or 1135.3.0.1 or paragraph *b* of section 1135.3.1”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007. However, when section 1135.8 of the Act applies in respect of costs incurred to acquire a property before 24 November 2007, the portion before paragraph *a* is to be read as if “section 1135.3 or 1135.3.0.1 or paragraph *b* of section 1135.3.1” was replaced by “section 1135.3 or 1135.3.0.1”.

**554.** (1) Section 1135.8.1 of the Act is amended by replacing the portion before paragraph *a* by the following:

**“1135.3.1.** No amount may be deducted by a corporation, for a taxation year, under sections 1135.1 and 1135.2, in relation to a property described in paragraph *a* of section 1135.3.1, in respect of costs incurred to acquire the property, if, at any time before the day after the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) applies, or, if it precedes the day that is the end of that period, the corporation’s filing-due date, for that taxation year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec in connection with the activities, described in subparagraph ii of paragraph *a* of section 1135.3.1, of a business carried on”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 23 November 2007.

**555.** (1) Section 1135.9 of the Act is amended by replacing “section 1135.3 or 1135.3.1” in the second paragraph by “any of sections 1135.3 to 1135.3.1”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**556.** (1) Section 1136 of the Act is amended by inserting the following paragraph after the first paragraph of subsection 3:

“For the purposes of the first paragraph, if the share of an amount of \$1,000,000 in profits of a partnership for a fiscal period that is attributable to a corporation, on account of its interest in the partnership, is at least \$200,000, the following rules apply:

(a) the corporation shall include in computing its paid-up capital its share of the retained profits shown in the partnership’s financial statements, except to the extent that the share is otherwise included in the corporation’s paid-up capital or to the extent that the Minister is of the opinion that the generally accepted accounting principles allow for the share to not be so included in computing the corporation’s paid-up capital; and

(b) the corporation may deduct in computing its paid-up capital its share of the unallocated deficit shown in the partnership’s financial statements, except to the extent that the share is otherwise deducted in computing the corporation’s paid-up capital or to the extent that the Minister is of the opinion that the generally accepted accounting principles do not allow for the share to be so deducted in computing the corporation’s paid-up capital.”

(2) Subsection 1 applies to a taxation year that ends after 24 May 2007. It also applies, if a corporation files an application for adjustment with the Minister of Revenue to have this section apply, to a taxation year of the

corporation that ends before 25 May 2007 and for which the Minister of Revenue may, on receiving the application for adjustment and under section 1010 of the Act, determine or redetermine the tax on capital payable and make an assessment or reassessment or determine an additional assessment.

**557.** (1) Section 1138 of the Act is amended

(1) by inserting the following subsection after subsection 2.1.2.2:

“(2.1.2.3) For the purposes of subsection 1 and despite section 1.7, a reference to another corporation in subsection 1 is deemed not to be a reference to a government of a country, province, state or to another political subdivision of a country, other than a municipality or municipal body performing government functions.”;

(2) by replacing subsection 3.1 by the following subsection:

“(3.1) For the purposes of subsection 3, a corporation

(a) may deduct, in computing the amount of its assets,

i. an amount shown in its financial statements resulting from a transaction between a partnership or a joint venture and its members, except to the extent that the transaction increased the amount of the corporation’s interest in the partnership or joint venture, shown as an asset in its financial statements, and

ii. the amount of the share of the unallocated deficit of a partnership that the corporation deducted in computing its paid-up capital in accordance with subparagraph *b* of the second paragraph of subsection 3 of section 1136; and

(b) shall include in computing the amount of its assets the amount of the share of the retained profits of a partnership that the corporation included in computing its paid-up capital in accordance with subparagraph *a* of the second paragraph of subsection 3 of section 1136.”

(2) Subsection 1 applies to a taxation year that ends after 24 May 2007.

(3) Paragraph 1 of subsection 1 also applies to a taxation year that ended before 25 May 2007 and in respect of which an application for adjustment concerning the fact that the government of a country, province, state or other political subdivision of a country is a corporation for the purposes of Part IV of the Act is filed with the Minister of Revenue after 23 May 2007.

(4) Paragraph 2 of subsection 1 also applies, if a corporation files an application for adjustment with the Minister of Revenue to have that paragraph 2 apply, to a taxation year of the corporation that ends before 25 May 2007 and for which the Minister of Revenue may, on receiving the application for adjustment and under section 1010 of the Act, determine or redetermine the tax on capital payable and make an assessment or reassessment or determine an additional assessment.

**558.** (1) Section 1138.0.1 of the Act is amended by replacing the portion of the first paragraph before subparagraph *a* by the following:

“**1138.0.1.** A qualified corporation, within the meaning of sections 771.5 to 771.7, for a taxation year may deduct, if it is not described in section 1138.1, in computing its paid-up capital for the year, after the application of section 1138, an amount equal to 75% of the lesser of”.

(2) Subsection 1 applies to a taxation year that ends after 20 February 2007.

**559.** (1) Section 1138.1 of the Act is amended by replacing the first and second paragraphs by the following paragraphs:

“**1138.1.** Every farming corporation or every corporation whose activities consist mainly in carrying on a fishing business may deduct \$5,000,000 in computing its paid-up capital, following the application of section 1138.

“However, if the corporation is associated in a taxation year with one or several other corporations referred to in the first paragraph, the amount it may deduct for the year under this section is equal to the product obtained by multiplying \$5,000,000 by

(*a*) if all the corporations associated with each other during the year have filed with the Minister an agreement in the prescribed form whereby they attribute a deduction percentage to one or more of them for the year for the purposes of this section, and the deduction percentage or the total of deduction percentages so attributed, as the case may be, does not exceed 100%, the deduction percentage so attributed to the corporation for the year or, in the absence of such an attribution in its respect, zero; and

(*b*) in any other case, zero.”

(2) Subsection 1, when it replaces the first paragraph of section 1138.1 of the Act, applies to a taxation year that ends after 20 February 2007. However, when the first paragraph of section 1138.1 of the Act applies to such a taxation year that includes that date, it is to be read as follows:

“**1138.1.** Every farming corporation or every corporation whose activities consist mainly in carrying on a fishing business may deduct in computing its paid-up capital, following the application of section 1138, the greater of

(*a*) the total of \$400,000 and the proportion of \$4,600,000 that the number of days in the taxation year that follow 20 February 2007 is of the number of days in the year; and



(b) the amount the corporation could deduct for the year under section 1138.0.1 if the first paragraph of that section were read without reference to “, if it is not described in section 1138.1.””

(3) Subsection 1, when it replaces the second paragraph of section 1138.1 of the Act, applies to a taxation year that ends after 31 December 2006. However, when the second paragraph of section 1138.1 of the Act applies to such a taxation year

(1) that ends before 21 February 2007, it is to be read as if the amount of \$5,000,000 in the portion before subparagraph *a* was replaced by an amount of \$400,000; and

(2) that ends after 20 February 2007 and includes that date, it is to be read as if the amount of \$5,000,000 in the portion before subparagraph *a* was replaced by an amount equal to the total of \$400,000 and the proportion of \$4,600,000 that the number of days in the year that follow 20 February 2007 is of the number of days in the year.

**560.** (1) Section 1138.2.2 of the Act is amended, in the second paragraph,

(1) by replacing subparagraph *c* by the following subparagraph:

“(c) where the recognized business is carried on by the corporation, the financial statements of the corporation prepared in accordance with generally accepted accounting principles but pertaining only to the eligible activities of the corporation, in relation to the major investment project, and, if applicable, the financial statements of a joint venture in which the corporation has an interest, prepared in accordance with those principles but pertaining only to the activities carried on by the joint venture that would be eligible activities of a corporation, in relation to the major investment project, if the joint venture were a corporation; and”;

(2) by replacing subparagraph ii of subparagraph *d* by the following subparagraph:

“ii. if applicable, the financial statements of a joint venture in which the partnership has an interest, prepared in accordance with generally accepted accounting principles but pertaining only to the activities carried on by the joint venture that would be eligible activities of a partnership, in relation to the major investment project, if the joint venture were a partnership, and”.

(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 29 June 2006.

**561.** (1) Section 1138.2.3 of the Act is amended

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

“(75% × A) × {1 – [(B – \$20,000,000)/\$10,000,000]} × (1 – C).”;

(2) by adding the following subparagraph after subparagraph *b* of the second paragraph:

“(c) C is the corporation’s reduction factor for the year, within the meaning assigned by the first paragraph of section 737.18.18.”;

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

“(a) it encloses the prescribed form containing prescribed information and a copy of the qualification certificate issued to it for the year by Investissement Québec for the purposes of Title VII.2.4 of Book IV of Part I with the fiscal return it is required to file for the year under section 1000; and”.

(2) Subsection 1 applies to a taxation year that ends after 31 December 2007. However, when section 1138.2.3 of the Act applies to a taxation year that includes that date, it is to be read

(1) as if the formula in the first paragraph was replaced by the following formula:

“{(A × B) + [(A × C) × (1 – E)]} × [1 – (D/\$10,000,000)].”;

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

“(b) B is the product obtained by multiplying 75% by the proportion that the number of days in the year that precede 1 January 2008 is of the number of days in the year;

“(c) C is the product obtained by multiplying 75% by the proportion that the number of days in the year that follow 31 December 2007 is of the number of days in the year;”;

(3) as if the following subparagraphs were added after subparagraph *c* of the second paragraph:

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

“(e) E is the corporation’s reduction factor for the year, within the meaning assigned by the first paragraph of section 737.18.18.”

**562.** Section 1138.4 of the Act is amended by replacing the first paragraph in the French text by the following paragraph:

**“1138.4.** Le montant auquel le paragraphe 1 de l’article 1138 fait référence est, à l’égard d’une société qui ne réside au Canada à aucun moment d’une année d’imposition, égal à la valeur, pour cette année, d’un bien qui est soit un navire ou un avion qu’elle exploite en transport international, au sens de l’article 1, soit un bien meuble qu’elle utilise dans son entreprise de transport de personnes ou de marchandises par navire ou par avion en transport international, lorsque ce bien est utilisé ou détenu par la société dans l’année, dans le cadre de l’exploitation, pendant l’année, d’une entreprise par l’entremise d’un établissement au Canada.”

**563.** (1) Section 1170.1 of the Act is amended by replacing “1170.2 and 1170.3” in the portion of the first paragraph before the formula by “1170.2 to 1170.4”.

(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 29 June 2006.

**564.** (1) The Act is amended by inserting the following section after section 1170.3:

**“1170.4.** If, at a particular time, the activities carried on in Québec by an insurance corporation diminish or cease and it may reasonably be considered that, as a result, another insurance corporation begins, after the particular time, to carry on similar activities in the course of carrying on a recognized business, in relation to a major investment project, or increases the scope of similar activities carried on in the course of carrying on such a business, the total payroll attributable to those activities or portions of activities is not to be taken into account, for the purpose of determining the amount that the other insurance corporation may deduct from its tax payable under section 1170.1 for a 12-month period that ends in a taxation year, unless the activities are activities of a recognized business whose acquisition by the other insurance corporation was authorized by the Minister of Finance in accordance with section 1170.3.”

(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 29 June 2006.

**565.** (1) Section 1175.4.1 of the Act is amended by replacing “1175.4.2 and 1175.4.3” in the portion of the first paragraph before the formula by “1175.4.2 to 1175.4.4”.

(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 29 June 2006.

**566.** (1) The Act is amended by inserting the following section after section 1175.4.3:

“**1175.4.4.** If, at a particular time, the activities carried on in Québec by a life insurer diminish or cease and it may reasonably be considered that, as a result, another life insurer begins, after the particular time, to carry on similar activities in the course of carrying on a recognized business, in relation to a major investment project, or increases the scope of similar activities carried on in the course of carrying on such a business, the total payroll attributable to those activities or portions of activities is not to be taken into account, for the purpose of determining the amount that the other life insurer may deduct from its tax payable under section 1175.4.1 for a taxation year, unless the activities are activities of a recognized business whose acquisition by the other life insurer was authorized by the Minister of Finance in accordance with section 1175.4.3.”

(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 29 June 2006.

**567.** (1) Section 1175.19.2 of the Act is amended by replacing “section 1135.3 or 1135.3.1” in the portion of the first paragraph before subparagraph *a* by “any of sections 1135.3 to 1135.3.1”.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007.

**568.** (1) Section 1175.19.2.1 of the Act is amended, in the first paragraph,

(1) by replacing the portion before subparagraph *i* of subparagraph *a* by the following:

“**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 any of sections 1135.3 to 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 or 1135.3.0.1 or paragraph *b* of section 1135.3.1, to earn income from a business carried on”;

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

“(b) if the property is described in paragraph *a* of section 1135.3.1, in connection with the activities, described in subparagraph *ii* of paragraph *a* of section 1135.3.1, of a business carried on”.

(2) Paragraph 1 of subsection 1 applies in respect of costs incurred to acquire a property after 20 February 2007. However, when section 1175.19.2.1 of the Act applies in respect of costs incurred to acquire a property before 24 November 2007, the portion of subparagraph *a* of the first paragraph before subparagraph *i* is to be read as if “section 1135.3 or 1135.3.0.1 or paragraph *b* of section 1135.3.1” was replaced by “section 1135.3 or 1135.3.0.1”.

(3) Paragraph 2 of subsection 1 applies in respect of costs incurred to acquire a property after 23 November 2007.

**569.** (1) Section 1175.28.14 of the Act is amended by striking out paragraph *d*.

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

**570.** Section 1185 of the Act is amended by striking out “17 to 21, 422 to 424,”.

**571.** (1) Section 1186.3 of the Act is amended by replacing “the second paragraph of section 87.4, subsection 2 of section 333.2, the second paragraph of section 421.8” by “the second paragraph of sections 87.4, 333.2 and 421.8”.

(2) Subsection 1 has effect from 20 December 2006.

**572.** Section 1186.5 of the Act is replaced by the following section:

“**1186.5.** The Minister shall pay into the consolidated revenue fund the contributions paid to the Minister for a taxation year under section 1186.2.”

**573.** (1) Section 1186.8 of the Act is amended by replacing “the second paragraph of section 87.4, subsection 2 of section 333.2” by “the second paragraph of sections 87.4 and 333.2”.

(2) Subsection 1 has effect from 20 December 2006.

**574.** Section 1186.10 of the Act is replaced by the following section:

“**1186.10.** The Minister shall pay into the consolidated revenue fund the contributions paid to the Minister for a taxation year under section 1186.7.”

## ACT RESPECTING THE MINISTÈRE DU REVENU

**575.** (1) The Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by inserting the following section after section 12.0.3:

“**12.0.3.1.** In the cases and subject to the conditions prescribed by regulation, the Government may require the payment of fees relating to

(a) the first intervention of a public servant in relation to the collection of an amount owed by a person under a fiscal law or in relation to a request for the filing by a person of a declaration, return, report or other prescribed form the person did not file; or

(b) the application for the registration of a legal hypothec or the application for the cancellation of such a registration.

The declaration, return, report or other prescribed form referred to in the first paragraph are those required for the purposes of the Tobacco Tax Act (chapter I-2), the Act respecting the Québec sales tax (chapter T-0.1), the Fuel Tax Act (chapter T-1) or section 1015 of the Taxation Act (chapter I-3).

The fees required in accordance with the first paragraph are added to the person’s debt, if applicable.”

(2) Until the coming into force of the first regulation made by the Government for the purposes of section 12.0.3.1 of the Act, enacted by subsection 1, the fees that may be required in accordance with that section are the following:

(a) \$93, if a public servant of the Direction générale du centre de perception fiscale et des biens non réclamés of the Ministère du Revenu makes, in respect of the person, a first intervention referred to in that section 12.0.3.1;

(b) \$75, if the Minister applies for the registration of a legal movable hypothec for an amount owed by the person under a fiscal law, and \$185 in the case of an application for the registration of a legal immovable hypothec; and

(c) \$20, if the Minister applies for the cancellation of the registration of a legal movable hypothec, and \$130 in the case of an application for the cancellation of the registration of a legal immovable hypothec.

(3) Subsections 1 and 2 apply from 1 July 2009.

**576.** (1) Section 14 of the Act is amended by replacing “sections 12.1 and 12.2” in the second paragraph by “sections 12.0.3.1, 12.1 and 12.2”.

(2) Subsection 1 applies from 1 July 2009.

**577.** The Act is amended by inserting the following section after section 34.2:

**“34.3.** No person may make, issue, offer to make or issue or otherwise make available to another person an invoice, receipt or other document that does not truly correspond to the transaction.”

**578.** The Act is amended by inserting the following section after section 60.2:

**“60.3.** Every person who contravenes section 34.3 is guilty of an offence and is liable to a fine of not less than \$400 nor more than \$5,000 and, for a second offence within five years, to a fine of not less than \$2,000 nor more than \$10,000 and, for a third or subsequent offence within that period, to a fine of not less than \$5,000 nor more than \$25,000.”

**579.** (1) Section 93.1.8 of the Act is amended by replacing “421.8, 442, 444, 450, 455.0.1,” in the first paragraph by “21.4.14, 421.8, 442, 444, 450, 455.0.1, 498.1,”.

(2) Subsection 1 has effect from 24 March 2006. However, when section 93.1.8 of the Act applies before 20 December 2006, it is to be read as if “21.4.14,” in the first paragraph was struck out.

**580.** (1) Section 93.1.12 of the Act is amended by replacing “421.8, 442, 444, 450, 455.0.1,” in the first paragraph by “21.4.14, 421.8, 442, 444, 450, 455.0.1, 498.1,”.

(2) Subsection 1 has effect from 24 March 2006. However, when section 93.1.12 of the Act applies before 20 December 2006, it is to be read as if “21.4.14,” in the first paragraph was struck out.

**581.** (1) Section 94.0.3.2 of the Act is amended

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

“ $A \times C \times D$ , and”;

(2) by replacing the formula in subparagraph ii of subparagraph *a* of the first paragraph by the following formula:

“ $B \times C \times D$ ”;

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

“(c) *C* is the amount by which the basic rate referred to in paragraph *d.2* of subsection 1 of section 771 of the Taxation Act in respect of the person for the taxation year exceeds, if the person has deducted, in accordance with that

paragraph *d.2* and because of the fact that the person was a Canadian-controlled private corporation, within the meaning of section 1 of that Act, an amount in computing the person's tax payable for the year under Part I of that Act,

i. the percentage referred to for the year, in respect of the person, in that paragraph *d.2* for the purpose of computing that deduction, if the percentage determined for the year under this subparagraph *c* is to be applied to the portion of the amount determined for the year under subparagraph *a* or *b* that does not exceed the amount by which the amount established in respect of the person for the year under section 771.2.1.2 of that Act exceeds the amount that would have been established in respect of the person for the year under that section if section 737.18.17 of that Act had applied for the year to the person relating to the major investment project, and

ii. a nil percentage, if the percentage determined for the year under this subparagraph *c* is to be applied to the remaining portion of the amount determined for the year under subparagraph *a* or *b*; and”;

(4) by adding the following subparagraph after subparagraph *c* of the second paragraph:

“(d) *D* is the proportion that the person's business carried on in Québec is of the aggregate of the person's business carried on in Canada or in Québec and elsewhere, as determined for the taxation year under subsection 2 of section 771 of the Taxation Act.”

(2) Paragraphs 1, 2 and 4 of subsection 1 have effect from 15 March 2000.

(3) Paragraph 3 of subsection 1 applies to a taxation year that begins after 20 February 2007. In addition, when section 94.0.3.2 of the Act applies to a taxation year that ends after 20 February 2007 and includes that date, it is to be read as if “the amount by which the percentage” in the portion of subparagraph *c* of the second paragraph before subparagraph *i* was replaced by “the amount by which the basic rate”.

**582.** (1) Section 97.2 of the Act is amended by inserting the following paragraph after paragraph *b*:

“(b.1) the fees required in accordance with section 12.0.3.1;”.

(2) Subsection 1 applies from 1 July 2009.

#### ACT RESPECTING THE RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC

**583.** (1) Section 34 of the Act respecting the Régie de l'assurance maladie du Québec (R.S.Q., chapter R-5) is amended by replacing “with section 34.1.0.1” in the portion of the sixth paragraph before subparagraph *a* by “with subparagraph *b* of the first paragraph of section 34.1.0.1”.



(2) Subsection 1 applies in respect of wages paid or deemed to be paid after 31 December 2007.

**584.** (1) Section 34.1.0.1 of the Act is replaced by the following section:

“**34.1.0.1.** For the purposes of the sixth paragraph of section 34, the following rules apply:

(a) wages paid or deemed to be paid by a qualified corporation in both a year and the qualified corporation’s exemption period must be reduced by the portion of those wages that may reasonably be considered to be attributable to transferred activities mentioned in a qualification certificate issued to the corporation in relation to that year by Investissement Québec for the purposes of Title VII.2.4 of Book IV of Part I of the Taxation Act (chapter I-3); and

(b) the proportion to which that sixth paragraph refers is determined by the formula

$$1 - [(A - \$20,000,000)/\$10,000,000].$$

In the formula provided for in subparagraph *b* of the first paragraph, *A* is the greater of \$20,000,000 and the paid-up capital attributed to the corporation for the taxation year, determined in accordance with section 737.18.24 of the Taxation Act.”

(2) Subsection 1 applies in respect of wages paid or deemed to be paid after 31 December 2007.

**585.** (1) Section 34.1.4 of the Act is amended by replacing subparagraph 2 of subparagraph ii of paragraph *b* by the following subparagraph:

“(2) section 336.0.3 or 336.11 of the Taxation Act,”.

(2) Subsection 1 applies from the year 2007.

**586.** (1) Section 34.1.6.1 of the Act is amended

(1) by replacing “sixth” in the third paragraph by “seventh”;

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

“If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.”

(2) Subsection 1 applies from the year 2008.

**587.** (1) Section 34.1.7 of the Act is amended by inserting “, 1026.3” after “1026.2”.

(2) Subsection 1 applies in respect of a payment to be made on or before a day that is subsequent to 31 December 2007.

**588.** (1) Section 37.1 of the Act is amended

(1) by replacing the definition of “dependent child” by the following definition:

““dependent child” of an individual for a year means a child in respect of whom the individual or the individual’s eligible spouse for the year has received, for the year, an amount deemed under section 1029.8.61.18 of the Taxation Act (chapter I-3) to be an overpayment of tax payable, or a child in respect of whom the individual or the individual’s eligible spouse for the year has deducted an amount in computing tax payable for the year under section 776.41.14 of that Act, or could have deducted such an amount if the individual or the individual’s eligible spouse had been resident in Québec for the purposes of that Act, throughout the year or, if the individual or the individual’s eligible spouse died in the year, throughout the period of the year preceding the time of death;”;

(2) by replacing paragraph *a* of the definition of “contribution rate” by the following paragraph:

“(a) for the year 2007,

- i. in the case of subparagraph i of that subparagraph *a*, is equal to 2.9%,
- ii. in the case of subparagraph ii of that subparagraph *a*, is equal to 5.76%,
- iii. in the case of subparagraph i of that subparagraph *d*, is equal to 4.35%,  
and
- iv. in the case of subparagraph ii of that subparagraph *d*, is equal to 8.67%;  
and”;

(3) by replacing “2002” in paragraph *b* of the definition of “contribution rate” by “2007”.

(2) Subsection 1 applies from the year 2007.

**589.** (1) Section 37.4 of the Act is amended, in subparagraph *a* of the first paragraph,

(1) by replacing subparagraphs i to iv by the following subparagraphs:

“i. \$13,470 where, for the year, the individual has no eligible spouse and no dependent child,

“ii. \$21,830 where, for the year, the individual has no eligible spouse but has one dependent child,

“iii. \$24,765 where, for the year, the individual has no eligible spouse but has more than one dependent child,

“iv. \$21,830 where, for the year, the individual has an eligible spouse but has no dependent child, and”;

(2) by replacing subparagraphs 1 and 2 of subparagraph v by the following subparagraphs:

“(1) \$24,765 where the individual has one dependent child for the year, or

“(2) \$27,470 where the individual has more than one dependent child for the year; and”.

(2) Subsection 1 applies from the year 2007.

**590.** (1) Section 37.6 of the Act is amended by replacing “\$422” in subparagraphs i and ii of subparagraph *a* of the first paragraph by “\$557”.

(2) Subsection 1 applies from the year 2007. However, when section 37.6 of the Act applies to the year 2007, subparagraph i of subparagraph *a* of the first paragraph is to be read as if “\$557” was replaced by “\$422”.

**591.** (1) Section 37.7 of the Act is amended

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

(2) by replacing “in section 6 or 25” in paragraph *b* by “in any of sections 6, 24.1 and 25”.

(2) Paragraph 2 of subsection 1 has effect from 1 January 2007.

**592.** (1) Section 37.10 of the Act is amended by inserting “,1026.3” after “1026.2” in the first paragraph.

(2) Subsection 1 applies in respect of a payment to be made on or before a day that is subsequent to 31 December 2007.

#### ACT RESPECTING THE QUÉBEC PENSION PLAN

**593.** (1) Section 55 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended by replacing the first paragraph by the following paragraph:

“**55.** An employee may, if the employee so elects by notifying the Minister in writing on or before the fifteenth day of the month of June of the second year that follows a particular year, make a contribution for the particular year, computed under section 53, on any amount equal to the amount by

which the amount described in the second paragraph for the particular year exceeds the total of the amount, computed under section 56, of the employee's salary and wages on which a contribution has been made for the particular year and the amount determined in the prescribed manner to be the employee's salary and wages on which a contribution has been made for the particular year by the employee under a similar plan.”

(2) Subsection 1 applies from the year 2007.

#### ACT RESPECTING PROPERTY TAX REFUND

**594.** (1) Section 1.3 of the Act respecting property tax refund (R.S.Q., chapter R-20.1) is amended

(1) by replacing “fifth” in the third paragraph by “sixth”;

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

“If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.”

(2) Subsection 1 applies from the year 2008.

#### ACT RESPECTING THE QUÉBEC SALES TAX

**595.** (1) Section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) is amended

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

““Superintendent” means the Superintendent of Financial Institutions appointed in accordance with the Office of the Superintendent of Financial Institutions Act (Revised Statutes of Canada, 1985, chapter 18, 3rd Supplement);”;

(2) by replacing subparagraph *f* of paragraph 1 of the definition of “basic tax content” by the following subparagraph:

“(f) the tax under section 16 that would have been payable by the person in respect of the last acquisition of the property by the person or in respect of an improvement to the property acquired by the person after the property was last acquired or brought into Québec by the person, but for sections 54.1, 75.1, 75.3 to 75.9—in the case of property acquired under an agreement for a qualifying supply that was not, immediately before that acquisition, capital property of the supplier—and 80, or the fact that the property or improvement was acquired by the person for consumption, use or supply exclusively in the course of commercial activities, and”.

(2) Subsection 1 has effect from 28 June 1999.

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

(1) by inserting “, à la fois” after “dans le cas où” in paragraph 3 in the French text;

(2) by inserting “and” after “327.2,” in subparagraph *b* of paragraph 3.

(2) Subsection 1 has effect from 1 July 1992.

**597.** (1) Section 41.0.1 of the Act is amended

(1) by replacing paragraphs 1 and 2 by the following paragraphs:

“(1) the tax collectible in respect of the supply or any amount charged or collected by the registrant on behalf of the person as or on account of tax in respect of the supply is deemed to be collectible, charged or collected, as the case may be, by the registrant, and not by the person, for the purpose of

(a) determining the net tax of the registrant and of the person, and

(b) applying sections 447 to 450 and section 20 of the Act respecting the Ministère du Revenu (chapter M-31);

“(2) the registrant and the person are solidarily liable for all obligations that arise from the application of this Title because of

(a) the tax becoming collectible,

(b) a failure to account for or pay, in the manner and within the time specified in this Title, an amount of net tax of the registrant, or an amount that was paid to the registrant or applied on account of a refund or rebate under Divisions II to IV of Chapter VIII to which the registrant was not entitled or that exceeds the refund or rebate to which the registrant was entitled, that is reasonably attributable to the supply,

(c) the registrant claiming, in respect of the supply, an amount as a deduction under sections 443.1 to 446.1 or sections 447 to 450 to which the registrant was not entitled or in excess of the amount to which the registrant was entitled,

(d) a failure to pay, in the manner and within the time specified in this Title, the amount of any underpayment of net tax by the registrant, or an amount that was paid to the registrant or applied on account of a refund or rebate under Divisions II to IV of Chapter VIII to which the registrant was not entitled or that exceeds the refund or rebate to which the registrant was entitled, that is reasonably attributable to a claim referred to in subparagraph *c*,

(e) a recovery of all or part of a bad debt relating to the supply in respect of which the registrant claimed a deduction under sections 443.1 to 446.1, or

(f) a failure to account for or pay, in the manner and within the time specified in this Title, an amount of net tax of the registrant, or an amount that was paid to the registrant or applied on account of a refund or rebate under Divisions II to IV of Chapter VIII to which the registrant was not entitled or that exceeds the refund or rebate to which the registrant was entitled, that is reasonably attributable to an amount required under section 446 to be added to the net tax of the registrant in respect of a bad debt referred to in subparagraph *e*; and”;

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

“(3) the threshold amounts of the registrant and of the person under sections 462 and 462.1 must be determined as if all or part of the consideration that became due to the person, or was paid to the person without having become due, in respect of the supply had become due to the registrant, or had been paid to the registrant without having become due, as the case may be, and not to the person.”

(2) Paragraph 1 of subsection 1, when it amends paragraph 1 of section 41.0.1 of the Act, and paragraph 2 of subsection 1 apply to a supply made after 20 December 2002.

(3) Paragraph 1 of subsection 1, when it amends paragraph 2 of section 41.0.1 of the Act, applies to a supply made after 23 April 1996 in respect of which an election under section 41.0.1 is made at any time. However, when paragraph 2 of section 41.0.1 of the Act applies in respect of a supply made before 21 December 2002 in respect of which an election under section 41.0.1 was made before that date,

(1) subparagraph *b* of that paragraph 2 is to be read as follows:

“(b) a failure to account for or remit the tax,”; and

(2) subparagraph *c* of that paragraph 2 is to be read as if “sections 443.1 to 446.1 or sections 447 to 450” was replaced by “sections 443.1 to 446.1”.

**598.** (1) The Act is amended by inserting the following sections after section 41.0.1:

**“41.0.2.** If a registrant acts as mandatary of a supplier in charging and collecting consideration and tax payable in respect of a supply made by the supplier but the registrant does not act as mandatary in making the supply, the registrant is deemed to have acted as mandatary of the supplier in making the supply for the purposes of

(1) section 41.0.1; and

(2) if an election under section 41.0.1 is made in respect of the supply, any other provision that refers to a supply in respect of which an election under that section has been made.

**“41.0.3.** A registrant and a supplier who have made an election under section 41.0.1 may, in the prescribed form containing prescribed information, jointly revoke the election in respect of a supply made on or after the effective date specified in the revocation, and the election is thereby deemed, for the purposes of this Title, not to have been made in respect of that supply.”

(2) Subsection 1, when it enacts section 41.0.2 of the Act, applies to a supply made after 20 December 2002.

(3) Subsection 1, when it enacts section 41.0.3 of the Act, has effect from 20 December 2002.

**599.** (1) The Act is amended by inserting the following section:

**“69.3.1.** If a registrant ordinarily uses a cash register to determine the tax payable by a recipient in respect of a taxable supply made by the registrant and the cash register does not permit the determination of the tax by multiplying the value of the consideration for the supply by the rate of the tax, or the value of the consideration established without reference to the tax payable by the recipient under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15)—in this section referred to as the “amended value of the consideration”—by 7.875% or 12.875% if the registrant determines a total amount made up of both the tax provided for in this Title and the tax provided for in Part IX of the Excise Tax Act, the following rules apply:

(1) the registrant may, by means of the cash register, determine the tax payable by multiplying the amended value of the consideration by 7.87%; and

(2) the registrant may, by means of the cash register, determine the total amount made up of both the tax and the tax provided for in Part IX of the Excise Tax Act by multiplying the amended value of the consideration by 12.87%.”

(2) Subsection 1 has effect from 1 January 2008.

**600.** (1) The Act is amended by inserting the following section before section 69.5:

**“69.4.1.** Every registrant who applies the rules set out in section 69.3.1 in circumstances other than those described in that section shall incur a penalty of 1% of the tax collected in the period during which the irregularity continues.”

(2) Subsection 1 has effect from 1 January 2008.

**601.** (1) Section 69.5 of the Act is amended by adding the following paragraph:

“For the purposes of the first paragraph, a supply of a right to use the device is deemed to be a supply of a service rendered through the operation of the device.”

(2) Subsection 1 has effect from 1 April 1997.

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

**“75.3.** For the purposes of this section and sections 75.4 to 75.9,

“authorized foreign bank” has the meaning assigned by section 2 of the Bank Act (Revised Statutes of Canada, 1985, chapter B-1);

“foreign bank branch” means a branch within the meaning of paragraph *b* of the definition of “branch” in section 2 of the Bank Act;

“qualifying supply” means a supply of a property or service that is made in Québec under an agreement for the supply, other than an agreement between a supplier that is a registrant and a recipient that is not a registrant at the time the agreement is entered into, and

(1) that is made by a corporation resident in Québec related to the recipient;

(2) that is made after 27 June 1999, and before

(a) if the Superintendent makes an order under subsection 1 of section 534 of the Bank Act in respect of the recipient after 22 June 2007 but before 22 June 2008, the day that is one year after the day on which the Superintendent makes the order, and

(b) in any other case, 22 June 2008; and

(3) that is received by a recipient that

(a) is a person not resident in Canada,

(b) is, or has filed an application with the Superintendent for an order under subsection 1 of section 524 of the Bank Act to become, an authorized foreign bank, and

(c) acquired the property or service for consumption, use or supply by the recipient for the purposes of the establishment and commencement of business in Québec by the recipient as an authorized foreign bank at a foreign bank branch of the authorized foreign bank.

**“75.4.** If a supplier and a recipient of a qualifying supply make a joint election in accordance with section 75.9 in respect of the qualifying supply, the following rules apply:



(1) the supplier is deemed to have made, and the recipient is deemed to have received, a separate supply of each property and service that is supplied under the agreement for the qualifying supply for consideration equal to that portion of the consideration for the qualifying supply that can reasonably be attributed to the property or service;

(2) the portion of the consideration for the qualifying supply attributed to goodwill is deemed to be attributed to a taxable supply of incorporeal movable property unless section 75.2 applies to the qualifying supply; and

(3) sections 75.5 to 75.8 apply to the supply of each property and service that is supplied under the agreement for the qualifying supply.

**“75.5.** If a supplier and a recipient make a joint election referred to in section 75.4 in respect of a qualifying supply made at a particular time, the following rules apply:

(1) no tax is payable in respect of the supply of a property or service made under the agreement for the qualifying supply other than

(a) a taxable supply of a service that is to be rendered by the supplier,

(b) a taxable supply of a service unless paragraph 1 of section 75 applies to the qualifying supply,

(c) a taxable supply of property by way of lease, licence or similar arrangement,

(d) if the recipient is not a registrant, a taxable supply by way of sale of an immovable,

(e) a taxable supply of a property or service, if the property or service was previously supplied under an agreement for a qualifying supply and, because of this section, no tax was payable in respect of that previous supply of a property or service, or

(f) a taxable supply of incorporeal movable property, other than capital property, if the percentage determined by the following formula is greater than 10%:

A – B;

(2) if, but for this section, tax would have been payable by the recipient, otherwise than because of section 20.1, in respect of a supply of property made under the agreement for the qualifying supply that is capital property of the supplier that the recipient acquired for use as capital property, the recipient is deemed to have acquired the property for use exclusively in the course of commercial activities of the recipient;

(3) if, despite this section, tax would not have been payable by the recipient, or would so have been because of section 20.1, in respect of a supply of property made under the agreement for the qualifying supply that is capital property of the supplier that the recipient acquired for use as capital property, the recipient is deemed to have acquired the property for use exclusively in activities of the recipient that are not commercial activities; and

(4) if the recipient acquires, under the agreement for the qualifying supply, property of the supplier that was used by the supplier immediately before the particular time otherwise than as capital property and, but for this section, tax would have been payable by the recipient, otherwise than because of section 20.1, in respect of the supply of the property, the recipient is deemed to have acquired the property for consumption, use or supply in the course of commercial activities of the recipient and otherwise than as capital property.

For the purposes of the formula in subparagraph *f* of subparagraph 1 of the first paragraph,

(1) *A* is the extent, expressed as a percentage of the total use of the property by the supplier, to which the supplier used the property in commercial activities of the supplier immediately before the particular time; and

(2) *B* is the extent, expressed as a percentage of the total use of the property by the recipient, to which the recipient used the property in commercial activities of the recipient immediately after the particular time.

**“75.6.** If a supplier and a recipient make a joint election referred to in section 75.4 in respect of a qualifying supply and, under the agreement for the qualifying supply, the supplier makes a supply of property that is, immediately before the time the qualifying supply is made, a capital property of the supplier and, because of section 75.5, no tax is payable in respect of the supply of the property, the basic tax content of the property of the recipient at any time is to be determined by applying the following rules:

(1) if the last acquisition of the property by the recipient is the acquisition of the property by the recipient at the time the qualifying supply is made, any reference in the definition of “basic tax content” in section 1 to the last acquisition or bringing into Québec of the property by the person is to be read as a reference to the last acquisition or bringing into Québec of the property by the supplier; and

(2) if the last supply to the recipient of the property is the supply to the recipient of the property at the time the qualifying supply is made, the reference in the definition of “basic tax content” in section 1 to the last supply of the property to the person is to be read as a reference to the last supply of the property to the supplier.

**“75.7.** If a supplier and a recipient make a joint election referred to in section 75.4 in respect of a qualifying supply made before 17 November 2005 under an agreement for the qualifying supply and tax is paid by the recipient

in respect of a property or service supplied under the agreement for the qualifying supply despite no tax being payable in respect of that supply because of section 75.5, the tax is deemed, except for the purposes of section 75.6 and despite section 75.5, to have been payable by the recipient in respect of the supply of the property or service and the recipient may deduct, in determining the net tax of the recipient for the reporting period in which the election is filed with the Minister, the total of all amounts each of which is an amount determined by the formula

$A - B$ .

For the purposes of the formula,

(1) A is the amount of tax paid, although no tax is payable because of section 75.5, by the recipient in respect of the supply of the property or service made under the agreement for the qualifying supply; and

(2) B is the total of

(a) all amounts each of which is an input tax refund that the recipient was entitled to claim in respect of the property or service supplied under the agreement for the qualifying supply,

(b) all amounts each of which is an amount, other than an amount determined under this section, that may be deducted by the recipient under this Title in determining the net tax of the recipient for a reporting period in respect of the property or service supplied under the agreement for the qualifying supply, and

(c) all amounts, other than amounts referred to in subparagraphs *a* and *b*, in respect of the tax paid that may be otherwise recovered by way of rebate or refund or otherwise by the recipient in respect of the property or service supplied under the agreement for the qualifying supply.

**“75.8.** If a supplier and a recipient make a joint election referred to in section 75.4 in respect of a qualifying supply, section 25 of the Act respecting the Ministère du Revenu (chapter M-31) applies to any assessment or reassessment of an amount payable by the recipient in respect of the supply of a property or service made under the agreement for the qualifying supply.

However, the Minister has until the day that is four years after the later of the following days to make an assessment or reassessment solely for the purpose of taking into account any tax, net tax or any other amount payable by the recipient or remittable by the supplier in respect of the supply of a property or service made under the agreement for the qualifying supply:

(1) the day on which the election referred to in section 75.4 is filed with the Minister; and

(2) the day on which the qualifying supply is made.

**“75.9.** A joint election referred to in section 75.4 made by a supplier and a recipient in respect of a qualifying supply is valid only if

(1) the recipient files the election with the Minister in the prescribed form containing prescribed information not later than the particular day that is the latest of

(a) if the recipient is

i. a registrant at the time the qualifying supply is made, the day on which the return under Chapter VIII is required to be filed for the recipient's reporting period in which tax would, but for this section and sections 75.3 to 75.8, have become payable in respect of the supply of a property or service made under the agreement for the qualifying supply, or

ii. not a registrant at the time the qualifying supply is made, the day that is one month after the end of the recipient's reporting period in which tax would, but for this section and sections 75.3 to 75.8, have become payable in respect of the supply of a property or service made under the agreement for the qualifying supply,

(b) 22 June 2008, and

(c) the day that the Minister may determine on application of the recipient;

(2) the qualifying supply is made on or before the day that is one year after the day on which the recipient received for the first time a qualifying supply in respect of which an election referred to in section 75.4 has been made; and

(3) on or before the day on which the election referred to in section 75.4 is filed with the Minister in respect of the qualifying supply, the recipient has not made an election referred to in section 75.1 in respect of the qualifying supply.”

(2) Subsection 1 has effect from 28 June 1999.

**603.** (1) Section 81 of the Act is amended

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

“(7) goods to the supply of which any of Divisions I, II, III or IV of Chapter IV, except paragraph 3.1 of section 178, paragraph 2 of section 198 or section 198.1 or 198.2 applies;”;

(2) by adding the following paragraphs after paragraph 13:

“(14) grain, seeds or mature stalks having no leaves, flowers, seeds or branches, of hemp plants of the genera *Cannabis* brought into Québec and coming from outside Canada, if

(a) in the case of grain or seeds, they are not further processed than sterilized or treated for seeding purposes and are not packaged, prepared or sold for use as feed for wild birds or as pet food;

(b) in the case of viable grain or seeds, they are included in the definition of “industrial hemp” in section 1 of the Industrial Hemp Regulations made under the Controlled Drugs and Substances Act (Statutes of Canada, 1996, chapter 19); and

(c) the bringing into Québec is made in accordance with the Controlled Drugs and Substances Act, if applicable; and

“(15) goods from Canada outside Québec to the supply of which paragraph 3.1 of section 178 applies.”

(2) Subsection 1 applies in respect of the bringing into Québec of goods after 12 April 2001.

**604.** (1) Section 108 of the Act is amended, in the definition of “practitioner”, by replacing the portion before paragraph 1 by the following:

““practitioner” means a person who practices the profession of audiology, chiropody, chiropractic, dietetics, midwifery, occupational therapy, optometry, osteopathy, physiotherapy, podiatry, psychology or speech-language pathology in Québec and who”.

(2) Subsection 1 applies in respect of a supply made after 31 December 2000. However, in respect of a supply made after 31 December 2000 and before 29 December 2006, the portion before paragraph 1 of the definition of “practitioner” in section 108 of the Act is to be read as follows:

““practitioner” means a person who practices the profession of audiology, chiropody, chiropractic, dietetics, occupational therapy, optometry, osteopathy, physiotherapy, podiatry, psychology or speech-language pathology in Québec and who”.

**605.** (1) Section 114 of the Act is replaced by the following section:

**“114.** A supply of an audiological, chiropodic, chiropractic, midwifery, occupational therapy, optometric, osteopathic, physiotherapy, podiatric, psychological or speech-language pathology service, when rendered to an individual, is exempt if the supply is made by a practitioner.”

(2) Subsection 1 applies in respect of a supply made after 31 December 2000. However, in respect of a supply made after 31 December 2000 and before 29 December 2006, section 114 of the Act is to be read as follows:

“**114.** A supply of an audiological, chiropodic, chiropractic, occupational therapy, optometric, osteopathic, physiotherapy, podiatric, psychological or speech-language pathology service, when rendered to an individual, is exempt if the supply is made by a practitioner.”

**606.** (1) The Act is amended by inserting the following section after section 114.1:

“**114.2.** A supply of a service rendered in the practise of the profession of social work is exempt in the case where

(1) the service is rendered to an individual within a professional-client relationship between the supplier and the individual and is provided for the prevention, assessment or remediation of, or to assist the individual in coping with, a physical, emotional, behavioural or mental disorder or disability of the individual or of a person to whom the individual is related or to whom the individual provides care or supervision otherwise than in a professional capacity; and

(2) the supplier is licensed or otherwise certified to practise the profession of social work in Québec.”

(2) Subsection 1 applies in respect of a supply made after 3 October 2003.

(3) If a person is, or would be in the absence of section 401 of the Act, entitled to a rebate under sections 400 to 402.0.2 of the Act in respect of an amount that was paid before 22 June 2007 as tax in respect of a supply described in section 114.2 of the Act but not described in another section of Chapter III of Title I of the Act, the person may, despite section 401 of the Act, file an application for the rebate before the later of

(a) 23 June 2008; and

(b) the day that is two years after the day on which the amount was paid.

(4) If a person is, or would be in the absence of the two-year period provided for in section 447 of the Act, entitled to adjust, refund or credit, under sections 447 to 449 of the Act, an amount that was charged or collected before 22 June 2007 as or on account of tax in respect of a supply described in section 114.2 of the Act but not described in another section of Chapter III of Title I of the Act, the person may, despite the two-year period provided for in section 447 of the Act, adjust an amount under paragraph 1 of section 447 of the Act, or refund or credit an amount under paragraph 2 of section 447 of the Act, before the later of

(a) 23 June 2008; and

(b) the day that is two years after the day on which the amount was charged or collected.

**607.** (1) Section 138.1 of the Act is amended by replacing paragraph 4 by the following paragraph:

“(4) corporeal movable property (other than property supplied by way of lease, licence or similar arrangement in conjunction with the exempt supply of an immovable by way of lease, licence or similar arrangement) that was acquired, manufactured or produced by the charity for the purpose of making a supply of the property and was neither donated to the charity nor used by another person before its acquisition by the charity, or any service supplied by the charity in respect of such property, other than such property or such a service supplied under a contract for catering;”.

(2) Subsection 1 applies in respect of a supply for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due. However, it does not apply in respect of a supply for which tax under Title I of the Act was charged or collected before 4 October 2003.

(3) If, because of the application of paragraph 4 of section 138.1 of the Act, as amended by subsection 1, a charity is considered to have ceased at a particular time to use capital property of the charity primarily in commercial activities of the charity and is deemed under section 243 of the Act to have made, immediately before that time, a supply of the capital property and to have collected tax in respect of that supply, and that cessation would not be considered to have occurred at that time if subsection 1 were not in force, the following rules apply:

(1) the charity is not required to include that tax in determining its net tax for any reporting period; and

(2) for the purpose of determining the basic tax content of the capital property, the charity is deemed to have been entitled to recover an amount equal to that tax as a rebate of tax included in the description of A in the formula in the definition of “basic tax content” in section 1 of the Act.

**608.** (1) Section 162 of the Act is amended by replacing paragraphs 1 to 5 by the following paragraphs:

“(1) a supply of

(a) a service of registering, or processing an application to register, any property in a property registration system,

(b) a service of filing, or processing an application to file, any document in a property registration system, or

(c) a right to use, or to have access to, a property registration system to register, or make application to register, any property in it or to file, or make application to file, any document in it;

- (2) a supply of
- (a) a service of filing, or processing an application to file, a document in the registration system of a court or in accordance with legislative requirements,
  - (b) a right to use, or to have access to, the registration system of a court, or any other registration system in which documents are filed in accordance with legislative requirements, for the purpose of filing a document in that registration system,
  - (c) a service of issuing or providing, or processing an application to issue or provide, a document from the registration system of a court, or
  - (d) a right to use, or to have access to, the registration system of a court to issue or obtain a document;
- (3) a supply (other than of a right or service supplied in respect of the bringing of alcoholic beverages into Québec) of
- (a) a quota, licence, permit or similar right,
  - (b) a service of processing an application for a quota, licence, permit or similar right, or
  - (c) a right to use, or to have access to, a filing or registration system to make application for a quota, licence, permit or similar right;
- (4) a supply of any document, a service of providing information, or a right to use, or to have access to, a filing or registration system to obtain any document or information that indicates
- (a) the vital statistics, residency, citizenship or right to vote of any person,
  - (b) the registration of any person for any service provided by a government or municipality or by a board, commission or other body established by a government or municipality, or
  - (c) any other status of any person;
- (5) a supply of any document, a service of providing information, or a right to use, or to have access to, a filing or registration system to obtain any document or information, in respect of
- (a) the title to, or any right in, property,
  - (b) any encumbrance or assessment in respect of property, or
  - (c) the zoning of an immovable;”.
- (2) Subsection 1 has effect from 1 July 1992. However,



(1) subsections 1, 2, 4 and 5 of section 162 of the Act do not apply in respect of any supply for which the supplier charged or collected an amount as or on account of tax under Title I of the Act before 28 November 2006;

(2) subsection 3 of section 162 of the Act does not apply in respect of any supply

(a) that is a supply of a right to use, or to have access to, a filing or registration system for which the supplier, before 28 November 2006, charged or collected an amount as or on account of tax under Title I of the Act;

(b) that is a supply of a service made before 28 November 2006 for which the supplier did not, before that date, charge or collect an amount as or on account of tax under Title I of the Act; or

(c) that is a supply of a service made before 28 November 2006 for which the supplier charged or collected, before that date, an amount as or on account of tax and for which supply an amount was claimed in an application for a rebate under section 400 of the Act received by the Minister of Revenue before that date, or as a deduction in respect of any adjustment, refund or credit under section 447 of the Act in a return under Division II of Chapter VIII of Title I of the Act received by the Minister before that date; and

(3) in respect of any supply for which consideration becomes due before 1 January 1997 or is paid before that date without having become due, paragraph 5 of section 162 of the Act is to be read as follows:

“(5) a supply of any document, a service of providing information, or a right to use, or to have access to, a filing or registration system to obtain any document or information, in respect of

(a) the title to, or any right in, property, or

(b) any encumbrance in respect of property;”.

**609.** (1) Section 163 of the Act is amended by replacing paragraph 3 by the following paragraph:

“(3) a supply of a right to use, to have access to or to enter property of the government, municipality or other body other than a right, referred to in any of paragraphs 1 to 5 of section 162, to use, or to have access to, a filing or registration system.”

(2) Subsection 1 has effect from 1 July 1992. However, it does not apply in respect of a supply for which the supplier charged or collected an amount as or on account of tax under Title I of the Act before 28 November 2006.

**610.** (1) Section 174 of the Act is amended, in paragraph 1,

(1) by inserting “or substances” after “drugs” in the portion before subparagraph *a*;

(2) by inserting the following subparagraph after subparagraph *d*:

“(d.1) a drug referred to in Schedule 1 to the Benzodiazepines and Other Targeted Substances Regulations made under the Controlled Drugs and Substances Act;”;

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

“(g) plasma expander;”.

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of a supply made after 12 April 2001 and of a supply for which consideration becomes due after 12 April 2001 or is paid after that date without having become due.

(3) Paragraph 2 of subsection 1 has effect from 1 September 2000. However, it does not apply

(1) in respect of a supply made after 31 August 2000 and before 28 November 2006, if, before 28 November 2006, the supplier collected an amount as or on account of tax under Title I of the Act in respect of the supply; or

(2) for the purposes of paragraph 7 of section 81 of the Act, in respect of the bringing of a drug into Québec after 31 August 2000 and before 28 November 2006, if, before 28 November 2006, an amount was paid as or on account of tax under Title I of the Act in respect of the bringing of a drug into Québec.

**611.** (1) Section 178 of the Act is amended by inserting the following paragraph after paragraph 3:

“(3.1) a supply of grain or seeds, or of mature stalks having no leaves, flowers, seeds or branches, of hemp plants of the genera *Cannabis*, if

(a) in the case of grain or seeds, they are not further processed than sterilized or treated for seeding purposes and are not packaged, prepared or sold for use as feed for wild birds or as pet food;

(b) in the case of viable grain or seeds, they are included in the definition of “industrial hemp” in section 1 of the Industrial Hemp Regulations made under the Controlled Drugs and Substances Act (Statutes of Canada, 1996, chapter 19); and

(c) the supply is made in accordance with the Controlled Drugs and Substances Act, if applicable;”.

(2) Subsection 1 applies in respect of a supply for which consideration becomes due after 12 April 2001 or is paid after that date without having become due.

**612.** (1) The Act is amended by inserting the following section after section 188:

**“188.1.** A supply of an incorporeal movable property made to a person not resident in Québec who is not registered under Division I of Chapter VIII at the time the supply is made is a zero-rated supply, but does not include

(1) a supply made to an individual unless the individual is outside Québec at that time;

(2) a supply of an incorporeal movable property that relates to

(a) an immovable situated in Québec,

(b) a corporeal movable property ordinarily situated in Québec, or

(c) a service the supply of which is made in Québec and is not

i. a zero-rated supply described in any of the sections of this division or of Division VII of Chapter IV, or

ii. a supply of a financial service described in the second paragraph;

(3) a supply that is the making available to a person of a telecommunications facility that is an incorporeal movable property for use in providing a service described in paragraph 1 of the definition of “telecommunication service” in section 1;

(4) a supply of an incorporeal movable property that may only be used in Québec; and

(5) a prescribed supply.

The supply to which subparagraph ii of subparagraph c of subparagraph 2 of the first paragraph refers is

(1) a supply of a financial service, other than a supply described in subparagraph 2 of this paragraph, made by a financial institution to a person not resident in Québec, unless the service relates to

(a) a debt that arises from

i. the deposit of funds in Québec, if the instrument issued as evidence of the deposit is a negotiable instrument, or

ii. the lending of money that is primarily for use in Québec,

(b) a debt for all or part of the consideration for a supply of an immovable that is situated in Québec,

(c) a debt for all or part of the consideration for a supply of a movable property that is for use primarily in Québec,

(d) a debt for all or part of the consideration for a supply of a service that is to be performed primarily in Québec, or

(e) a financial instrument, other than an insurance policy or a precious metal, acquired, otherwise than directly from an issuer not resident in Québec, by the financial institution acting as a mandator;

(2) a supply made by a financial institution of a financial service that relates to an insurance policy issued by the institution, other than a service that relates to investments made by the institution, to the extent that

(a) in the case where the policy is a life or accident and sickness insurance policy, other than a group insurance policy, the policy is issued in respect of an individual who is not resident in Québec at the time the policy becomes effective,

(b) in the case where the policy is a group life or accident and sickness insurance policy, the policy relates to individuals not resident in Québec who are insured under the policy,

(c) in the case where the policy is an insurance policy in respect of an immovable, the policy relates to an immovable situated outside Québec, and

(d) in the case where the insurance policy is an insurance policy of any other kind, the policy relates to risks that are ordinarily situated outside Québec; or

(3) a supply of a financial service that is the supply of precious metals in the case where the supply is made by the refiner or by the person on whose behalf the precious metals were refined.”

(2) Subsection 1 has effect from 1 July 1992. However, it does not apply in respect of a supply for which the supplier, before 20 March 2007, charged or collected an amount as or on account of tax under Title I of the Act.

(3) For the purposes of section 188.1 of the Act, the definitions of “telecommunication service” and “telecommunications facility” in section 1 of the Act have effect from 1 July 1992.

(4) If the Minister of Revenue, in determining the amount of any fees, interest and penalties for which a person is liable under this Act, took an amount into account in computing the net tax of a person, for a reporting

period of the person, as tax that became collectible in respect of a supply made by the person before 20 March 2007 and, because of the application of section 188.1 of the Act, no tax was collectible by the person in respect of the supply, the following rules apply:

(1) on or before the day that is two years after the date of assent to this Act, the person may request in writing that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that no tax was collectible by the person in respect of the supply; and

(2) on receipt of a request under paragraph 1, the Minister of Revenue shall with all due dispatch

(a) consider the request; and

(b) despite the second paragraph of section 25 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), assess or reassess the net tax of the person for any reporting period of the person and of any interest, penalty or other obligation of the person, but only to the extent that the assessment or reassessment may reasonably be considered to relate to the supply.

**613.** (1) The Act is amended by inserting the following sections after section 199.0.1:

“**199.0.2.** For the purposes of section 199.0.3,

“large business” has the meaning assigned by sections 551 to 551.4 of the Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 63);

“long-term lease” has the meaning assigned by section 382.8;

“prescribed new hybrid vehicle” means a prescribed new hybrid vehicle for the purposes of section 382.9.

“**199.0.3.** Despite section 206.1, a registrant that is a large business may include, in determining the registrant’s input tax refund, an amount in respect of the tax payable by the registrant in relation to the supply by way of sale or by way of long-term lease, or to the bringing into Québec, of a prescribed new hybrid vehicle.”

(2) Subsection 1 applies in respect of a supply, or of the bringing into Québec, of a vehicle after 26 June 2007 and before 1 January 2009.

**614.** (1) Section 213 of the Act is amended, in the first paragraph,

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

“(1) the registrant is the recipient of a supply made in Québec by way of sale of used corporeal movable property, other than a returnable container as defined in section 350.42.3, that is a usual covering or container of a class of coverings or containers in which property, other than property the supply of which is a zero-rated supply, is delivered;”;

(2) by replacing the portion of subparagraph 4 before subparagraph *a* by the following:

“(4) the registrant pays consideration for the supply that is not less than the total of”.

(2) Subsection 1 applies in respect of a supply for which consideration becomes due after 15 July 2002 or is paid after that date without having become due.

**615.** (1) Section 233 of the Act is amended by replacing subparagraph *b* of subparagraph 1 of the second paragraph by the following subparagraph:

“(b) an amount equal to the tax that is or would be, but for sections 75.1, 75.3 to 75.9 and 80, payable in respect of the taxable supply of the immovable; and”.

(2) Subsection 1 has effect from 28 June 1999.

**616.** (1) Section 247 of the Act is amended by replacing subparagraph 1 of the second paragraph by the following subparagraph:

“(1) A is the tax that would be payable by the registrant in respect of the vehicle if the registrant acquired the vehicle at the particular time for consideration equal to the amount that would be deemed under paragraph *d.3* or *d.4* of section 99 of the Taxation Act (chapter I-3) to be, for the purposes of that section, the capital cost to a taxpayer of a passenger vehicle, in respect of which that paragraph applies, if the formula in section 99R2 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) were read without reference to B; and”.

(2) Subsection 1 applies in respect of a passenger vehicle acquired or brought into Québec after 27 November 2006 and of a passenger vehicle acquired or brought into Québec before 28 November 2006, unless an input tax refund in respect of the acquisition or bringing into Québec of the vehicle

(1) was claimed, in accordance with section 247 of the Act, in a return filed under Chapter VIII of Title I of the Act before 28 November 2006; and

(2) was determined on the basis that the capital cost of the passenger vehicle for the purposes of the Taxation Act (R.S.Q., chapter I-3) included federal and provincial sales taxes.

**617.** (1) Section 248 of the Act is replaced by the following section:

“**248.** If the consideration paid or payable by a registrant for an improvement to a passenger vehicle of the registrant increases the cost to the registrant of the vehicle to an amount that exceeds the amount that would be deemed under paragraph *d.3* or *d.4* of section 99 of the Taxation Act (chapter I-3) to be, for the purposes of that section, the capital cost to a taxpayer of a passenger vehicle, in respect of which that paragraph applies, if the formula in section 99R2 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) were read without reference to B, the tax calculated on that excess must not be included in determining an input tax refund of the registrant for any reporting period of the registrant.”

(2) Subsection 1 applies in respect of an improvement to a passenger vehicle acquired or brought into Québec after 27 November 2006 and to an improvement to a passenger vehicle acquired or brought into Québec before 28 November 2006, unless an input tax refund in respect of the acquisition or bringing into Québec of the vehicle

(1) was claimed, in accordance with sections 248, 250 to 252 and 254 of the Act, in a return filed under Chapter VIII of Title I of the Act before 28 November 2006; and

(2) was determined on the basis that the capital cost of the passenger vehicle for the purposes of the Taxation Act (R.S.Q., chapter I-3) included federal and provincial sales taxes.

**618.** (1) The Act is amended by inserting the following section after the heading of Division X of Chapter VI of Title I:

“**327.10.** For the purposes of this division, “distribution” has the meaning assigned by section 308.0.1 of the Taxation Act (chapter I-3).”

(2) Subsection 1 has effect from 17 November 2005.

**619.** (1) Section 328 of the Act is amended by striking out “resident in Québec” after “means another corporation”.

(2) Subsection 1 has effect from 17 November 2005.

**620.** (1) Sections 329.1 and 330 of the Act are replaced by the following sections:

“**329.1.** For the purposes of this division, “qualifying group” means

(1) a group of corporations, each member of which is closely related, within the meaning of sections 332 and 333, to each other member of the group; or

(2) a group of qualifying partnerships, or of qualifying partnerships and corporations, each member of which is closely related, within the meaning of sections 331.2 and 331.3, to each other member of the group.

**“330.** The expression “closely related group” means a group of corporations each member of which is a registrant resident in Québec that is closely related, within the meaning of sections 332 and 333, to each other member of the group.

For the purposes of this definition, an insurer that is not resident in Québec and has a permanent establishment in Québec is deemed to be resident in Québec.”

(2) Subsection 1 has effect from 17 November 2005.

**621.** (1) The Act is amended by inserting the following section after section 330:

**“330.1.** For the purposes of this division, “qualifying member” of a qualifying group means a registrant that is a corporation resident in Québec or a qualifying partnership and that

(1) is a member of the qualifying group; and

(2) last manufactured, produced, acquired or brought into Québec all or substantially all of its property for consumption, use or supply exclusively in the course of commercial activities of the registrant or, if the registrant has no property, all or substantially all of its supplies are taxable supplies.”

(2) Subsection 1 has effect from 17 November 2005.

**622.** (1) Section 331 of the Act is replaced by the following section:

**“331.** For the purposes of this division, “specified member” of a qualifying group means

(1) a qualifying member of the group; or

(2) a temporary member of the group during the course of the reorganization referred to in paragraph 5 of section 331.0.1.”

(2) Subsection 1 has effect from 17 November 2005.

**623.** (1) The Act is amended by inserting the following section after section 331:

**“331.0.1.** For the purposes of this division, “temporary member” of a qualifying group means a corporation



- (1) that is a registrant;
  - (2) that is resident in Québec;
  - (3) that is a member of the qualifying group;
  - (4) that is not a qualifying member of the qualifying group;
  - (5) that receives a supply of property made in anticipation of a distribution made in the course of a reorganization described in paragraph *a* of section 308.3 of the Taxation Act (chapter I-3) from the distributing corporation referred to in that paragraph that is a qualifying member of the qualifying group;
  - (6) that, before receiving the supply, does not carry on any business or have any property; and
  - (7) the shares of which are transferred on the distribution.”
- (2) Subsection 1 has effect from 17 November 2005.

**624.** Section 331.1 of the Act is amended by replacing “of sections 329.1 to 331.4 and 334 to 336” by “of this division”.

**625.** (1) Section 331.2 of the Act is amended

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

“**331.2.** For the purposes of this division, a particular qualifying partnership and another person that is a qualifying partnership or a corporation are closely related to each other at any time if, at that time,”;

- (2) by replacing “if the other person is a qualifying partnership” in the portion of paragraph 1 before subparagraph *a* by “in the case where the other person is a qualifying partnership”;

- (3) by replacing, in paragraph 1,

- (a) subparagraph ii of subparagraph *a* by the following subparagraph:

“ii. a corporation, or a qualifying partnership, that is a member of a qualifying group of which the particular partnership is a member, or”;

- (b) subparagraph i of subparagraph *b* by the following subparagraph:

“i. owns at least 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of a corporation that is a member of a qualifying group of which the other person is a member, or”;

(4) by replacing “if the other person is a corporation” in the portion of paragraph 2 before subparagraph *a* by “in the case where the other person is a corporation”;

(5) by replacing, in paragraph 2,

(a) subparagraph ii of subparagraph *a* by the following subparagraph:

“ii. a corporation, or a qualifying partnership, that is a member of a qualifying group of which the particular partnership is a member, or”;

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

“(b) at least 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of a corporation are owned by”;

(c) subparagraph ii of subparagraph *c* by the following subparagraph:

“ii. a corporation, or a qualifying partnership, that is a member of a qualifying group of which the other person is a member, or”.

(2) Subsection 1 has effect from 17 November 2005.

**626.** Section 331.3 of the Act is amended by replacing “of sections 329.1 to 331.4 and 334 to 336” by “of this division”.

**627.** Section 331.4 of the Act is amended by replacing “of sections 329.1 to 331.3 and 334 to 336” in the portion before paragraph 1 by “of this division”.

**628.** (1) Section 332 of the Act is amended

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

“**332.** A particular corporation and another corporation are closely related to each other at any time if, at that time,

(1) not less than 90% of the value and number of the issued and outstanding shares of the capital stock of the other corporation, having full voting rights under all circumstances, are owned by”;

(2) by striking out the second paragraph.

(2) Subsection 1 has effect from 17 November 2005.

**629.** (1) Section 333 of the Act is replaced by the following section:

“**333.** If under section 332 two corporations are closely related to the same corporation, they are closely related to each other.”

(2) Subsection 1 has effect from 17 November 2005.

**630.** (1) Section 334 of the Act is amended, in the second paragraph,

(1) by striking out “of the supply” in subparagraph 2;

(2) by adding the following subparagraph after subparagraph 5:

“(6) a supply that is not a supply of property made in anticipation of a distribution made in the course of a reorganization described in paragraph *a* of section 308.3 of the Taxation Act (chapter I-3), if the recipient of the supply is a temporary member.”

(2) Subsection 1 applies in respect of a supply made after 16 November 2005.

**631.** (1) Division XIX of Chapter VI of Title I of the Act, comprising sections 350.24 to 350.42.2, is repealed.

(2) Subsection 1, when it repeals sections 350.24 to 350.28 and 350.39 to 350.42 of the Act, has effect from 1 May 2002 and applies to supplies for which consideration becomes due after 30 April 2002 or is paid after that date without having become due.

(3) In addition,

(1) when section 350.25 of the Act, repealed by subsection 1, has effect from 1 July 1992, the portion of that section before paragraph 1 is to be read as if “of this division” was replaced by “of sections 350.24 to 350.42”; and

(2) when section 350.25 of the Act, repealed by subsection 1, applies in respect of the supply of a beverage in a returnable container made after 1 January 1996, the portion of that section before paragraph 1 is, subject to subsection 4, to be read as follows:

“**350.25.** For the purposes of sections 350.24 to 350.42, where a person supplies a beverage in a returnable container in circumstances in which the person typically does not unseal the container,”.

(4) Paragraph 2 of subsection 3 does not apply if

(1) the supplier included, in determining the supplier’s net tax, a particular amount as or on account of tax that was computed on the total amount, excluding any tax prescribed for the purposes of section 52 of the Act or any

gratuity, paid or payable by the recipient in respect of the beverage and the container and, before 8 February 2002, the Minister of Revenue received an application for a rebate under section 400 of the Act of the portion of the particular amount attributable to the container; or

(2) the supplier included, in determining the supplier's net tax as reported in a return filed under Chapter VIII of Title I of the Act and received by the Minister of Revenue before 8 February 2002, an amount as or on account of tax in respect of the supply of the beverage and the container that was computed on an amount less than the total amount, excluding any tax prescribed for the purposes of section 52 of the Act or any gratuity, paid or payable by the recipient in respect of the beverage and the container.

(5) Despite subsection 2, for the purpose of applying sections 213, 350.42.1 and 350.42.2 of the Act to supplies of returnable containers for which consideration becomes due before 16 July 2002 or is paid before that date without having become due, subsection 1 is deemed not to have come into force.

(6) Subsection 1, when it repeals the heading of Division XIX of Chapter VI of Title I and sections 350.42.1 and 350.42.2 of the Act, applies in respect of a supply for which consideration becomes due after 15 July 2002 or is paid after that date without having become due.

(7) In addition,

(1) when section 350.42.1 of the Act, repealed by subsection 1, applies to the supply of a container made by a charity after 31 March 1998 and before 1 May 2002, the portion of the first paragraph of that section before subparagraph 1 is to be read as follows:

**“350.42.1.** A charity may deduct the amount determined under the second paragraph in determining the net tax for its reporting period, or for a subsequent reporting period, in which the charity is the recipient of a particular supply, other than a supply to which sections 75 and 75.1, 80 or 334 to 336 apply, made in Québec by way of sale of a used and empty returnable container that is a returnable container within the meaning of section 350.24, where”; and

(2) when section 350.42.1 of the Act, repealed by subsection 1, applies to the supply of a container made by a charity after 30 April 2002, the portion of the first paragraph of that section before subparagraph 1 is to be read as follows:

**“350.42.1.** A charity may deduct the amount determined under the second paragraph in determining the net tax for its reporting period, or for a subsequent reporting period, in which the charity is the recipient of a particular supply, other than a supply to which sections 75 and 75.1, 80 or 334 to 336

apply, made in Québec by way of sale of a used and empty returnable container that is a returnable container within the meaning of section 350.42.3, where”.

**632.** (1) The Act is amended by inserting the following after section 350.42.2:

**“DIVISION XIX.1**

**“RETURNABLE CONTAINER**

**“350.42.3.** For the purposes of this division,

“applicable compulsory amount” for a returnable container of a particular class means the compulsory consumers’ refund for a returnable container of that class;

“compulsory consumers’ refund” for a returnable container of a particular class means the amount that, in respect of recycling, must be paid for a used and empty returnable container of that class to a person of a class that includes consumers;

“consumers’ recycler”, in respect of a returnable container of a particular class, means a person who, in the ordinary course of the person’s business, acquires used and empty returnable containers of that class from consumers for consideration;

“distributor” of a returnable container of a particular class means a person who supplies beverages in filled and sealed returnable containers of that class and charges a returnable container charge in respect of the returnable containers;

“recycler” of returnable containers of a particular class means

(1) a person who, in the ordinary course of the person’s business, acquires used and empty returnable containers of that class, or the material resulting from their compaction, for consideration; or

(2) a person who, in the ordinary course of the person’s business, pays consideration to a person referred to in paragraph 1 in compensation for that person acquiring used and empty returnable containers and paying consideration for those containers;

“recycling” means

(1) the return, redemption, reuse, destruction or disposal of

(a) returnable containers, or

(b) returnable containers and other goods; or

(2) the control or prevention of waste or the protection of the environment;

“refund”, at any time, means in relation to a returnable container of a particular class that is supplied used and empty, or that is filled with a beverage that is supplied, at that time, if there is an applicable compulsory amount for a returnable container of that class, that amount;

“returnable container” means a beverage container of a class of containers that

(1) are ordinarily acquired by consumers;

(2) when acquired by consumers, are ordinarily filled and sealed; and

(3) are ordinarily supplied used and empty by consumers for consideration;

“returnable container charge”, at any time, means

(1) in relation to a returnable container of a particular class containing a beverage that is supplied at that time, the amount that is charged by the supplier as an amount in respect of recycling;

(2) in relation to a filled and sealed returnable container containing a beverage that is held by a person at that time for consumption, use or supply, the amount in respect of the container that would be determined under paragraph 1 if the beverage was supplied at that time by or to the person; and

(3) in relation to a returnable container of a particular class in respect of which a recycler of returnable containers of that class makes at that time a supply of a service in respect of recycling to a distributor, or a recycler, of returnable containers of that class, the amount in respect of the container that would be determined under paragraph 1 if the container was filled and sealed and contained a beverage that would be supplied at that time;

“specified beverage retailer”, in respect of a returnable container of a particular class, means a registrant

(1) who, in the ordinary course of the registrant’s business, makes supplies (in this definition referred to as “specified supplies”) of beverages in returnable containers of that class to consumers in circumstances in which the registrant typically does not unseal the containers; and

(2) whose circumstance is not that all or substantially all of the supplies of used and empty returnable containers of that class that are gathered by the registrant at establishments at which the registrant makes specified supplies are of containers that the registrant acquired used and empty for consideration.

**350.42.4.** If a supplier makes a taxable supply, other than a zero-rated supply, of a beverage in a filled and sealed returnable container of a particular class in circumstances in which the supplier typically does not

unseal the container, and the supplier charges the recipient a returnable container charge in respect of the container, the consideration for the supply is deemed to be equal to the amount determined by the formula

A – B.

For the purposes of the formula in the first paragraph,

(1) A is the consideration for the particular supply as otherwise determined for the purposes of this Title; and

(2) B is the returnable container charge.

This section does not apply to a supply by a registrant of a beverage in a returnable container in respect of which the registrant is a specified beverage retailer, if the registrant elects not to deduct the amount of the returnable container charge in respect of the container in determining the consideration for the supply for the purposes of this Title.

**“350.42.5.** Subject to section 350.42.6, if a person makes a supply of a used and empty returnable container, or the material resulting from its compaction, the value of the consideration for the supply is deemed, for the purposes of this Title other than this division, to be nil.

**“350.42.6.** Section 350.42.5 does not apply

(1) for the purposes of sections 138.5 and 152; or

(2) to a supply made of a used and empty returnable container of a particular class, or the material resulting from its compaction, if the usual business practice of the recipient is to pay consideration for supplies of used and empty returnable containers of that class, or the material resulting from their compaction, that is determined based on the value of the material from which the containers are made or is otherwise determined based neither on the amount of the refund for the returnable containers nor on the amount of the returnable container charge in respect of filled and sealed returnable containers of that class containing beverages that are supplied.

**“350.42.7.** If a beverage in a filled and sealed returnable container in respect of which there is a returnable container charge is held at any time by a person for consumption, use or supply in the course of commercial activities of the person, the fair market value of the beverage at that time is deemed not to include the amount that would be determined as the refund for the container if the beverage were supplied by the person at that time in a filled and sealed container.

**“350.42.8.** A registrant shall, in determining the net tax of the registrant for a reporting period that includes a particular time, add the amount determined by the formula in the second paragraph if

(1) the registrant makes a supply of a beverage in a returnable container of a particular class in respect of which the registrant is a specified beverage retailer;

(2) the first and second paragraphs of section 350.42.4 apply in determining the value of the consideration for the supply; and

(3) the registrant makes at the particular time a supply of the returnable container used and empty for consideration without having acquired it used and empty for consideration.

The amount that a registrant is required to add in determining the net tax of the registrant under the first paragraph is determined by the formula

$$A \times B.$$

For the purposes of the formula,

(1) A is the rate of tax specified in the first paragraph of section 16; and

(2) B is the refund for a returnable container of that class.”

(2) Subsection 1 has effect from 1 May 2002 and applies to supplies for which consideration becomes due after 30 April 2002 or is paid after that date without having become due. However, section 350.42.5 of the Act, as enacted by subsection 1, does not apply to supplies for which consideration, determined without reference to that section, is paid or becomes due before 16 July 2002.

(3) Despite subsection 2, for the purpose of applying sections 213, 350.42.1 and 350.42.2 of the Act to supplies of returnable containers for which consideration becomes due before 16 July 2002 or is paid before that date without having become due, subsection 1 is deemed not to have come into force.

**633.** (1) Section 353.0.4 of the Act is amended by replacing paragraphs 4 and 5 by the following paragraphs:

“(4) the rebate is substantiated by a receipt for an amount that includes consideration, excluding the tax payable under subsection 1 of section 165 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), totalling at least \$50, for taxable supplies, other than zero-rated supplies, in respect of which the person is otherwise eligible for a rebate under section 353.0.3; and

“(5) the application for a rebate relates to taxable supplies, other than zero-rated supplies, the total consideration for which, excluding the tax payable under subsection 1 of section 165 of the Excise Tax Act, is at least \$200.”

(2) Subsection 1 applies in respect of an application for a rebate filed after 30 June 2006.



**634.** (1) Section 357 of the Act is amended by replacing paragraphs 4.1 and 5 by the following paragraphs:

“(4.1) in the case of a rebate under section 351, the rebate is substantiated by a receipt for an amount that includes consideration, excluding the tax payable under subsection 1 of section 165 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), totalling at least \$50, for taxable supplies, other than zero-rated supplies, in respect of which the person is otherwise eligible for a rebate under section 351; and

“(5) the application for a rebate relates to taxable supplies, other than zero-rated supplies, the total consideration for which, excluding the tax payable under subsection 1 of section 165 of the Excise Tax Act, is at least \$200;”.

(2) Subsection 1 applies in respect of an application for a rebate filed after 30 June 2006.

**635.** Section 357.2 of the Act is amended

(1) by replacing “liés” in subparagraph 1 of the first paragraph in the French text by “relatifs”;

(2) by striking out “the convention facility or” in subparagraph *b* of subparagraph 1 of the second paragraph.

**636.** Section 357.4 of the Act is amended by replacing paragraphs 1 and 2 by the following paragraphs:

“(1) the tax paid by the organizer calculated on that part of the consideration for the supply or on that part of the value of property that is reasonably attributable to the convention facility or related convention supplies other than property or services that are food or beverages or are supplied under a contract for catering; and

“(2) 50% of the tax paid by the organizer calculated on that part of the consideration for the supply or on that part of the value of property that is reasonably attributable to related convention supplies that are food or beverages or are supplied under a contract for catering.”

**637.** (1) The Act is amended by inserting the following section after section 357.5:

**“357.5.0.1.** If, in accordance with section 357.3 or 357.5, a registrant pays to, or credits in favour of, a person an amount on account of a rebate and, in determining the registrant’s net tax for a reporting period, claims a deduction under section 455.1 in respect of the amount paid or credited, the registrant shall file with the Minister prescribed information in respect of the amount in

the form and manner prescribed by the Minister on or before the day on which the registrant's return under Chapter VIII for the reporting period in which the amount is deducted is required to be filed.”

(2) Subsection 1 applies in respect of a supply relating to a foreign convention in respect of which the tax provided for in Title I of the Act becomes payable after 31 March 2007 and for which the supplier claimed an amount as a deduction under section 455.1 of the Act in respect of an amount the supplier paid to, or credited in favour of, a person after 31 March 2007.

**638.** (1) Section 362.3 of the Act is amended by replacing “\$5,607” in subparagraph 2 of the first paragraph by “\$5,573”.

(2) Subsection 1 applies to a rebate in respect of a supply by way of sale of a residential complex in respect of which ownership was transferred after 31 December 2007, 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 6% or 7% in respect of the supply of the residential complex.

**639.** (1) Section 370.0.1 of the Act is amended by replacing “\$256,388” in subparagraph 3 of the first paragraph by “\$253,969”.

(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 31 December 2007, 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 6% or 7% in respect of the supply referred to in paragraph *d* of subsection 2 of section 254.1 of the Excise Tax Act.

**640.** (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 \$225,750, the amount determined by the formula

$$[2.47\% \times (A - B)] + (7.5\% \times B); \text{ and}$$

“(2) if the fair market value referred to in subparagraph 3 of the first paragraph of section 370.0.1 is more than \$225,750 but less than \$253,969, the amount determined by the formula

$$\{[2.47\% \times (A - B)] \times [(\$253,969 - C)/\$28,219]\} + (7.5\% \times B).”;$$

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

“For the purposes of this section, the amount obtained by multiplying 2.47% by the difference between A and B may not exceed \$5,573.”

(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 31 December 2007, 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 6% or 7% in respect of the supply referred to in paragraph *d* of subsection 2 of section 254.1 of the Excise Tax Act.

**641.** (1) Section 370.3.1 of the Act is amended by replacing “\$256,388” by “\$253,969”.

(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 31 December 2007, 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 6% or 7% in respect of the supply referred to in paragraph *d* of subsection 2 of section 254.1 of the Excise Tax Act.

**642.** (1) Section 370.5 of the Act is amended by replacing “\$256,388” in paragraph 4 by “\$253,969”.

(2) Subsection 1 applies for the purpose of computing the rebate in respect of a supply made by a cooperative housing corporation to a particular individual of a share of the capital stock of the corporation, if the particular 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 particular individual, an individual that is related to the particular individual or a former spouse of the particular individual and the rebate application is filed after 31 December 2007, unless the corporation paid tax calculated at the rate of 6% or 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.

**643.** (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 \$225,750, the amount determined by the formula

$$[2.47\% \times (A - B)] + (7.5\% \times B); \text{ and}$$

“(2) if the total consideration is more than \$225,750 but less than \$253,969, the amount determined by the formula

$$\{\$5,573 \times [(\$253,969 - A)/\$28,219]\} + (7.5\% \times B).”;$$

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

“For the purposes of this section, the amount obtained by multiplying 2.47% by the difference between A and B may not exceed \$5,573.”

(2) Subsection 1 applies for the purpose of computing the rebate in respect of a supply made by a cooperative housing corporation to a particular individual of a share of the capital stock of the corporation, if the particular 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 particular individual, an individual that is related to the particular individual or a former spouse of the particular individual and the rebate application is filed after 31 December 2007, unless the corporation paid tax calculated at the rate of 6% or 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.

**644.** (1) Section 370.8 of the Act is amended by replacing “\$256,388” by “\$253,969”.

(2) Subsection 1 applies for the purpose of computing the rebate in respect of a supply made by a cooperative housing corporation to a particular individual of a share of the capital stock of the corporation, if the particular 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 particular individual, an individual that is related to the particular individual or a former spouse of the particular individual and the rebate application is filed after 31 December 2007, unless the corporation paid tax calculated at the rate of 6% or 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.

**645.** (1) Section 370.10 of the Act is amended by replacing the third and fourth paragraphs by the following paragraphs:

“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 subsection 1 of section 165 of the Excise Tax Act was paid at the rate of 5%, \$5,573;

(2) in the case where all or substantially all of the tax was paid at a time when the tax payable under subsection 1 of section 165 of the Excise Tax Act was paid at the rate of 6%, \$5,607;

(3) in the case where all of the tax was paid at a time when the tax payable under subsection 1 of section 165 of the Excise Tax Act was paid at the rate of 7%, \$5,642; and

(4) in any other case, the amount determined by the formula

$$(D \times \$69) + (E \times \$34) + \$5,573.$$

“For the purposes of the formula in subparagraph 4 of the third paragraph,

(1) D is the percentage that corresponds to the extent to which the tax was paid at a time when the tax payable under subsection 1 of section 165 of the Excise Tax Act was paid at the rate of 7%; and

(2) E is the percentage that corresponds to the extent to which the tax was paid at a time when the tax payable under subsection 1 of section 165 of the Excise Tax Act was paid at the rate of 6%.”

(2) Subsection 1 applies to a rebate in respect of a residential complex for which an application is filed with the Minister after 31 December 2007.

**646.** (1) Section 370.12 of the Act is replaced by the following section:

**“370.12.** An individual is entitled to the rebate under section 370.9 in respect of a residential complex only if the individual files an application for the rebate on or before

(1) the day that is two years after the earliest of

(a) the day that is two years after the day the residential complex is first occupied in the manner described in subparagraph *a* of paragraph 3 of section 370.9;

(b) the day ownership of the residential complex is transferred as described in subparagraph *b* of paragraph 3 of section 370.9; and

(c) the day construction or substantial renovation of the residential complex is substantially completed; or

(2) any day after the day provided for in paragraph 1 as the Minister may determine.”

(2) Subsection 1 has effect from 20 December 2002.

**647.** (1) Section 378.7 of the Act is amended by replacing “\$5,607” in subparagraph 1 of the second paragraph by “\$5,573”.

(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 31 December 2007, unless the agreement is evidenced in writing and was entered into before 31 October 2007; 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 31 December 2007.

**648.** (1) Section 378.9 of the Act is amended by replacing “\$5,607” in subparagraph 1 of the second paragraph by “\$5,573”.

(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 31 December 2007, 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 31 October 2007;

(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; or

(3) another agreement was entered into before 31 October 2007 by the builder and another person, and that other agreement was not terminated before 1 January 2008 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.

**649.** (1) Section 378.11 of the Act is amended by replacing “\$5,607” in subparagraph 1 of the second paragraph by “\$5,573”.

(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 31 December 2007, unless the agreement is evidenced in writing and was entered into before 31 October 2007; 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 31 December 2007.

**650.** (1) Section 379 of the Act is amended by replacing paragraph 2 by the following paragraph:

“(2) the tax that is or would be, but for sections 75.1, 75.3 to 75.9 and 80, payable in respect of the taxable supply.”

(2) Subsection 1 has effect from 28 June 1999.

**651.** (1) Section 382.1 of the Act is replaced by the following section:

“**382.1.** For the purposes of this subdivision, “qualifying motor vehicle” means a motor vehicle that is equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle without having to collapse the wheelchair or with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability.”

(2) Subsection 1 has effect,

(1) in the case of the supply or bringing into Québec of a qualifying motor vehicle equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle, from 11 December 1992 if the recipient is an individual and from 24 April 1996 if the recipient is a person other than an individual; and

(2) in the case of the supply or bringing into Québec of a qualifying motor vehicle equipped with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability, from 4 April 1998.

**652.** (1) Section 382.2 of the Act is amended by striking out paragraph 1.

(2) Subsection 1 has effect,

(1) in the case of the supply of a qualifying motor vehicle equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle, from 11 December 1992 if the recipient is an individual and from 24 April 1996 if the recipient is a person other than an individual; and

(2) in the case of the supply of a qualifying motor vehicle equipped with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability, from 4 April 1998.

(3) Despite paragraph 4 of section 382.2 of the Act, a person has four years after 27 November 2006 to file an application for a rebate under that section with the Minister of Revenue in respect of tax that became payable before 27 November 2006 in respect of the supply of a qualifying motor vehicle other than a qualifying motor vehicle that was never used as capital property or held otherwise than for supply in the ordinary course of business at any time after it was equipped with a device described in section 382.1 of the Act and before it was acquired by the person.

(4) The application referred to in subsection 3 may, despite the second paragraph of section 403 of the Act, be the second application of a person for the rebate if, before 27 November 2006, the person had made an application for the rebate in respect of which an assessment has been made.

**653.** (1) Section 382.6 of the Act is amended by striking out paragraph 4.

(2) Subsection 1 has effect,

(1) in the case of the bringing into Québec of a qualifying motor vehicle equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle, from 11 December 1992 if the recipient is an individual and from 24 April 1996 if the recipient is a person other than an individual; and

(2) in the case of the bringing into Québec of a qualifying motor vehicle equipped with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability, from 4 April 1998.

(3) Despite paragraph 6 of section 382.6 of the Act, a person has four years after 27 November 2006 to file an application for a rebate under that section with the Minister of Revenue in respect of tax that became payable before 27 November 2006 in respect of the bringing into Québec of a qualifying motor vehicle other than a qualifying motor vehicle that was not used after it was acquired by the recipient and before it was brought into Québec, except to the extent reasonably necessary to deliver the vehicle to a supplier of a service to be performed on it or to bring it into Québec.



(4) The application referred to in subsection 3 may, despite the second paragraph of section 403 of the Act, be the second application of a person for the rebate if, before 27 November 2006, the person has made an application for the rebate in respect of which an assessment has been made.

**654.** (1) Section 382.7 of the Act is amended by replacing “registrant” in the portion before paragraph 1 by “supplier”.

(2) Subsection 1 has effect,

(1) in the case of the supply of a qualifying motor vehicle equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle, from 11 December 1992 if the recipient is an individual and from 24 April 1996 if the recipient is a person other than an individual; and

(2) in the case of the supply of a qualifying motor vehicle equipped with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability, from 4 April 1998.

(3) Despite paragraph 4 of section 382.2 of the Act, a person has four years after 27 November 2006 to file an application for a rebate under that section with the Minister of Revenue in respect of tax that became payable before 27 November 2006 in respect of the supply of a qualifying motor vehicle other than a qualifying motor vehicle that was never used as capital property or held otherwise than for supply in the ordinary course of business at any time after it was equipped with a device described in section 382.1 of the Act and before it was acquired by the person.

(4) The application referred to in subsection 3 may, despite the second paragraph of section 403 of the Act, be the second application of a person for the rebate if, before 27 November 2006, the person has made an application for the rebate in respect of which an assessment has been made.

**655.** (1) Section 382.10 of the Act is amended by replacing “\$1,000” by “\$2,000”.

(2) Subsection 1 applies in respect of a supply, or of the bringing into Québec, of a vehicle after 20 February 2007 and before 1 January 2009.

**656.** (1) Section 382.11 of the Act is amended

(1) by replacing “within” in the portion of paragraph 2 before subparagraph *a* by “not later than”;

(2) by replacing “\$1,000” in subparagraph *a* of paragraph 2 by “\$2,000”;

(3) by adding the following paragraph:

“Despite subparagraph *a* of subparagraph 2 of the first paragraph, the recipient may file an application to obtain an amount of \$1,000, as a portion of the rebate to which the recipient is entitled under section 382.9, as of the day on which the total referred to in that subparagraph *a* is equal to or greater than that amount.”

(2) Paragraph 1 of subsection 1 applies in respect of a supply, or of the bringing into Québec, of a vehicle after 23 March 2006 and before 1 January 2009.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of a supply, or of the bringing into Québec, of a vehicle after 20 February 2007 and before 1 January 2009.

**657.** (1) Section 383 of the Act is amended by replacing subparagraph *a* of paragraph 1 of the definition of “non-refundable input tax charged” by the following subparagraph:

“(a) tax in respect of the supply or bringing into Québec of the property or service that became payable by the person during the period or that was paid by the person during the period without having become payable, other than tax that is deemed to have been paid by the person.”

(2) Subsection 1 has effect from 1 May 2002.

**658.** (1) Section 411 of the Act is amended by adding the following subparagraphs after subparagraph 2 of the first paragraph:

“(3) is the recipient of a qualifying supply, within the meaning of section 75.3, or of a supply that would be a qualifying supply if the recipient were a registrant, and the recipient files an election under section 75.4 with the Minister in respect of the qualifying supply before the latest of the dates referred to in paragraph 1 of section 75.9; or

“(4) is a corporation that would be a temporary member, within the meaning of section 331.0.1, but for paragraph 1 of that section.”

(2) Subsection 1, when it enacts

(1) subparagraph 3 of the first paragraph of section 411 of the Act, has effect from 28 June 1999; and

(2) subparagraph 4 of the first paragraph of section 411 of the Act, has effect from 17 November 2005.

**659.** (1) Section 433.2 of the Act is amended, in the second paragraph,

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

“(c) the total of all amounts each of which is an amount in respect of supplies of immovables or capital property made by way of sale by or to the charity that are required under section 446 or 449 to be added in determining the net tax for the particular reporting period; and”;

(2) by striking out subparagraph *b.1* of subparagraph 2.

(2) Paragraph 1 of subsection 1 applies, for the purpose of determining the net tax of a charity, in respect of a reporting period that begins after 31 December 1996.

(3) Paragraph 2 of subsection 1 applies, for the purpose of determining the net tax of a charity, in respect of a reporting period that begins after the last reporting period of the charity that ends within four years after the reporting period of the charity that includes 15 July 2002.

**660.** (1) The Act is amended by inserting the following section after the heading of subdivision 3 of Division III of Chapter VIII of Title I:

“**443.1.** For the purposes of this subdivision, “reporting entity” for a supply means

(1) if an election has been made under section 41.0.1 in respect of the supply, the person who is required, under that section, to include the tax collectible in respect of the supply in determining the person’s net tax; and

(2) in any other case, the supplier.”

(2) Subsection 1 has effect from 24 April 1996.

**661.** (1) Section 444 of the Act is replaced by the following section:

“**444.** If a supplier has made a taxable supply (other than a zero-rated supply) for consideration to a recipient with whom the supplier was dealing at arm’s length, it is established that all or a part of the total of the consideration and tax payable in respect of the supply has become a bad debt and the supplier at any time writes off the bad debt in the supplier’s books of account, the reporting entity for the supply may, in determining the reporting entity’s net tax for the reporting period in which the bad debt is written off or for a subsequent reporting period, deduct the amount determined by the formula in the second paragraph.

The amount that may be deducted by the reporting entity under the first paragraph is determined by the formula

$A \times B/C$ .

For the purposes of this formula,

(1) A is the tax payable in respect of the supply;

(2) B is the total of the consideration and tax remaining unpaid in respect of the supply that was written off at that time as a bad debt; and

(3) C is the total of the consideration and tax payable in respect of the supply.”

(2) Subsection 1 applies in respect of a supply made after 23 April 1996.

**662.** (1) The Act is amended by inserting the following section after section 444:

“**444.1.** A reporting entity may deduct an amount under section 444 in respect of a supply if

(1) the tax collectible in respect of the supply is included in determining the amount of net tax reported in the reporting entity’s return filed under this chapter for the reporting period in which the tax became collectible; and

(2) all net tax remittable, if any, as reported in that return is remitted.”

(2) Subsection 1 applies in respect of a supply made after 23 April 1996.

**663.** (1) Sections 446 and 446.1 of the Act are replaced by the following sections:

“**446.** If all or part of a bad debt in respect of which a person has made a deduction under this subdivision is recovered at any time, the person shall, in determining net tax for the reporting period in which the bad debt or that part is recovered, add the amount determined by the formula

$$A \times B/C.$$

For the purposes of this formula,

(1) A is the amount of the bad debt recovered at that time;

(2) B is the tax payable in respect of the supply to which the bad debt relates; and

(3) C is the total of the consideration and tax payable in respect of the supply.

“**446.1.** A person may not claim a deduction under this subdivision in respect of a bad debt relating to a supply unless the deduction is claimed in a return under this chapter filed within four years after the day on which the person was required to file the return under this chapter for the reporting period in which the supplier has written off the bad debt in the supplier’s books of account.”

(2) Subsection 1, when it replaces section 446 of the Act, applies in respect of a bad debt relating to a supply made after 23 April 1996.

(3) Subsection 1, when it replaces section 446.1 of the Act, applies in respect of a bad debt relating to a supply made after 23 April 1996. However, when a deduction is claimed by a person under section 445 of the Act, as that section applied, before being repealed, to an account receivable transferred to the person before 1 January 2000, section 446.1 of the Act is to be read as if “the supplier has written off” was replaced by “the person has written off”.

(4) Despite section 446.1 of the Act, if a supplier and a registrant acting as mandatary of the supplier have jointly made an election under section 41.0.1 of the Act in respect of a supply made before 20 December 2002 and the supplier writes off a bad debt relating to the supply in the supplier’s books of account at any time before 21 December 2002, the registrant may claim a deduction under section 444 of the Act, in respect of the bad debt written off in a return filed under Chapter VIII of Title I of the Act and received by the Minister of Revenue on or before the later of

(a) the day that is one year after 20 December 2002; and

(b) the day that is four years after the day on which the registrant was required to file a return for the registrant’s reporting period in which the bad debt was written off.

**664.** (1) Section 455.1 of the Act is amended by striking out “356,” in the portion before paragraph 1.

(2) Subsection 1 applies in respect of the supply of a short-term accommodation, camping accommodation or tour package including such a short-term accommodation or camping accommodation

(1) for which all of the consideration becomes due after 31 October 2001 and is not paid on or before that date; or

(2) for which all or part of the consideration becomes due before 1 November 2001 or is paid before that date, if all the short-term accommodations made available in connection with such supplies are intended to be occupied after 31 October 2001.

**665.** (1) The Act is amended by inserting the following section after section 455.1:

“**455.2.** If a registrant is required to file prescribed information in accordance with section 357.5.0.1 in respect of an amount claimed as a deduction under section 455.1 in respect of an amount paid or credited on account of a rebate, the following rules apply:

(1) in the case where the registrant files the information on a day (in this section referred to as the “filing day”) that is after the day on which the registrant is required to file a return under Chapter VIII for the reporting period in which the registrant claimed the deduction under section 455.1 in respect of the amount paid or credited and before the particular day described in the second paragraph, the registrant shall, in determining the net tax for the reporting period of the registrant that includes the filing day, add an amount equal to interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31), on the amount claimed as a deduction under section 455.1 computed for the period beginning on the day on which the registrant was required to file the prescribed information under section 357.5.0.1 and ending on the filing day; and

(2) in the case where the registrant fails to file the information before the particular day, the registrant shall, in determining the net tax for the reporting period of the registrant that includes the particular day, add an amount equal to the total of the amount claimed as a deduction under section 455.1 and interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu, on that amount computed for the period beginning on the day on which the registrant was required to file the information under section 357.5.0.1 and ending on the day on which the registrant is required under section 468 to file a return for the reporting period of the registrant that includes the particular day.

For the purposes of the first paragraph, the particular day is the earlier of

(1) the day that is four years after the day on which the registrant was required under section 468 to file a return for the period; and

(2) the day prescribed by the Minister in a formal demand to file information.”

(2) Subsection 1 applies in respect of an amount claimed as a deduction under section 455.1 of the Act, in respect of an amount that is paid to, or credited in favour of, a person after 31 March 2007 and that relates to a supply for which tax under Title I of the Act becomes payable after 31 March 2007.

**666.** (1) Section 456 of the Act is amended by replacing the portion of the first paragraph before the formula by the following:

“**456.** If, in a taxation year of a registrant, tax becomes payable, or is paid without having become payable, by the registrant in respect of supplies of a passenger vehicle made under a lease and the total of the consideration for the supplies that would be deductible in computing the registrant’s income for the year for the purposes of the Taxation Act (chapter I-3), if the registrant were a taxpayer under that Act and that Act were read without reference to its section 421.6, exceeds the amount in respect of that consideration that would be deductible in computing the registrant’s income for the year for the purposes of that Act, if the registrant were a taxpayer under that Act and

the formulas in sections 99R2 and 421.6R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) were read without reference to B, there must be added in determining the net tax for the appropriate reporting period of the registrant an amount determined by the formula”.

(2) Subsection 1 applies in respect of a reporting period that ends after 27 November 2006 and of a reporting period that ends before 28 November 2006, unless

(1) an amount was added, in accordance with sections 456 and 457 of the Act, in determining the net tax for the reporting period;

(2) the amount was determined on the basis that the capital cost of the passenger vehicle for the purposes of the Taxation Act (R.S.Q., chapter I-3) included federal and provincial sales taxes; and

(3) the return for the reporting period was filed under Chapter VIII of Title I of the Act before 28 November 2006.

**667.** (1) Sections 457.3 and 457.4 of the Act are replaced by the following sections:

**“457.3.** If a registrant has received a zero-rated supply of a continuous transmission commodity referred to in section 191.3.2 and the commodity is neither shipped outside Québec, as described in subparagraph 1 of the first paragraph of section 191.3.2, nor supplied, as described in subparagraph 2 of the first paragraph of section 191.3.2, by the registrant, the registrant shall, in determining the net tax for the reporting period of the registrant that includes the earliest day on which tax would, but for section 191.3.2, have become payable in respect of the supply, add an amount equal to interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31), on the amount of tax that would have been payable in respect of the supply if it were not a zero-rated supply, computed for the period beginning on that earliest day and ending on the day on or before which the return under section 468 for that reporting period is required to be filed.

**“457.4.** If a registrant has received a supply of property, except a zero-rated supply other than the zero-rated supply referred to in section 179.1, from a supplier to whom the registrant has provided a shipping certificate, within the meaning of section 427.3, for the purposes of that supply and an authorization of the registrant to use the certificate was not in effect at the time the supply was made or the registrant did not ship the property outside Québec in the circumstances described in paragraphs 2 to 4 of section 179, the registrant shall, in determining the net tax for the reporting period of the registrant that includes the earliest day on which tax in respect of the supply became payable or would have become payable if the supply were not a zero-rated supply, add an amount equal to interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31), on the amount of tax that was payable or would have been payable in respect of

the supply if it were not a zero-rated supply, computed for the period beginning on that earliest day and ending on the day on or before which the return under section 468 for that reporting period is required to be filed.”

(2) Subsection 1, when it replaces section 457.3 of the Act, applies in respect of the supply of a continuous transmission commodity made to a registrant in respect of which tax would have, but for section 191.3.2 of the Act, first become payable on a particular day that is in a reporting period of the registrant for which the return under section 468 of the Act is required to be filed on or before a day that is after 31 March 2007. However, when the particular day is before 1 April 2007 and the day on which the return for the reporting period that includes the particular day is required to be filed is on or before a date that is after 31 March 2007, section 457.3 of the Act is to be read as follows:

**“457.3.** If a registrant has received a zero-rated supply of a continuous transmission commodity referred to in section 191.3.2 and the commodity is neither shipped outside Québec, as described in subparagraph 1 of the first paragraph of section 191.3.2, nor supplied, as described in subparagraph 2 of the first paragraph of section 191.3.2, by the registrant, the registrant shall, in determining the net tax of the registrant for the reporting period that includes the earliest day on which tax would, but for section 191.3.2, have become payable in respect of the supply, add an amount equal to the total of

(1) interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) plus 4% per year compounded daily, on the total amount of tax that would have been payable in respect of the supply if it were not a zero-rated supply, computed for the period beginning on that earliest day and ending on 31 March 2007; and

(2) interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu, on the amount of tax that would have been payable in respect of the supply if it were not a zero-rated supply, plus the interest referred to in paragraph 1, computed for the period beginning on 1 April 2007 and ending on the day on or before which the return under section 468 for that reporting period is required to be filed.”

(3) Subsection 1, when it replaces section 457.4 of the Act, applies in respect of a supply of property made to a registrant in respect of which tax first became payable, or would have first become payable if the supply were not a zero-rated supply, on a particular day that is in a reporting period of the registrant for which the return under section 468 of the Act is required to be filed on or before a day that is after 31 March 2007. However, when the particular day is before 1 April 2007 and the day on which the return for the reporting period that includes the particular day is required to be filed is on or before a date that is after 31 March 2007, section 457.4 of the Act is to be read as follows:



**“457.4.** If a registrant has received a supply of property, except a zero-rated supply other than the zero-rated supply referred to in section 179.1, from a supplier to whom the registrant has provided a shipping certificate, within the meaning of section 427.3, for the purposes of that supply and an authorization of the registrant to use the certificate was not in effect at the time the supply was made or the registrant did not ship the property outside Québec in the circumstances described in paragraphs 2 to 4 of section 179, the registrant shall, in determining the net tax for the reporting period of the registrant that includes the earliest day on which tax in respect of the supply became payable or would have become payable if it were not a zero-rated supply, add an amount equal to the total of

(1) interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) plus 4% per year compounded daily, on the total amount of tax that was payable or would have been payable in respect of the supply if it were not a zero-rated supply, computed for the period beginning on that earliest day and ending on 31 March 2007; and

(2) interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu, on the amount of tax that was payable or would have been payable in respect of the supply if it were not a zero-rated supply, plus the interest referred to in paragraph 1, computed for the period beginning on 1 April 2007 and ending on the day on or before which the return under section 468 for that reporting period is required to be filed.”

**668.** (1) Section 457.5 of the Act is amended by replacing subparagraph 2 of the second paragraph by the following subparagraph:

“(2) B is the rate of interest prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) that is in effect on the last day of that first reporting period.”

(2) Subsection 1 applies in respect of any reporting period of a registrant following a fiscal year of the registrant that ends after 31 March 2007. However, when the fiscal year of the registrant includes 1 April 2007, section 457.5 of the Act is to be read as follows:

**“457.5.** Where an authorization granted to a registrant to use a shipping certificate, within the meaning of section 427.3, is deemed to have been revoked under section 427.7 from the day after the last day of a fiscal year of the registrant, the registrant shall, in determining the net tax for the first reporting period of the registrant following that fiscal year, add the total of all amounts each of which is determined by the formula

$$A \times B/12.$$

For the purposes of the formula,

(1) A is

(a) the product obtained when 7.5% is multiplied by an amount of consideration that was paid or became payable before 1 April 2007 by the registrant for a supply made in Québec of an item of inventory acquired by the registrant in the year that is a zero-rated supply only because it is referred to in section 179.1, other than a supply in respect of which the registrant is required under section 457.4 to add an amount in determining net tax for any reporting period, or

(b) the product obtained when 7.5% is multiplied by an amount of consideration not included in subparagraph *a* that was paid or became payable after 31 March 2007 by the registrant for a supply made in Québec of an item of inventory acquired by the registrant in the year that is a zero-rated supply only because it is referred to in section 179.1, other than a supply in respect of which the registrant is required under section 457.4 to add an amount in determining net tax for any reporting period; and

(2) B is

(a) in the case where subparagraph *a* of subparagraph 1 applies, the total of 4% and the rate of interest prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31), expressed as a percentage per year, that is in effect on the last day of that first reporting period, and

(b) in the case where subparagraph *b* of subsection 1 applies, the rate of interest prescribed under section 28 of the Act respecting the Ministère du Revenu that is in effect on the last day of that first reporting period.”

**669.** (1) Section 457.6 of the Act is replaced by the following section:

**“457.6.** If a registrant has received a supply of property, except a zero-rated supply other than the zero-rated supply referred to in section 179.2, from a supplier to whom the registrant has provided a shipping distribution centre certificate, within the meaning of section 350.23.7, for the purposes of that supply and an authorization of the registrant to use the certificate was not in effect at the time the supply was made or the property was not acquired by the registrant for use or supply as domestic inventory or as added property, within the meaning assigned to those expressions by section 350.23.1, in the course of commercial activities of the registrant, the registrant shall, in determining the net tax for the reporting period of the registrant that includes the earliest day on which tax in respect of the supply became payable or would have become payable if the supply were not a zero-rated supply, add an amount equal to interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31), on the amount of tax that was payable or that would have been payable in respect of the supply if it were not a zero-rated supply, computed for the period beginning on that earliest day and ending on the day on or before which the return under section 468 for that reporting period is required to be filed.”

(2) Subsection 1 applies in respect of a supply of property made to a registrant in respect of which tax first became payable, or would have first become payable if the supply were not a zero-rated supply, on a particular day that is in a reporting period of the registrant for which the return under section 468 of the Act is required to be filed on or before a day that is after 31 March 2007. However, when the particular day is before 1 April 2007 and the day on which the return for the reporting period that includes the particular day is required to be filed is on or before a date that is after 31 March 2007, section 457.6 of the Act is to be read as follows:

**“457.6.** If a registrant has received a supply of property, except a zero-rated supply other than the zero-rated supply referred to in section 179.2, from a supplier to whom the registrant has provided a shipping distribution centre certificate, within the meaning of section 350.23.7, for the purposes of that supply and an authorization of the registrant to use the certificate was not in effect at the time the supply was made or the property was not acquired by the registrant for use or supply as domestic inventory or as added property, within the meaning assigned to those expressions by section 350.23.1, in the course of commercial activities of the registrant, the registrant shall, in determining the net tax for the reporting period of the registrant that includes the earliest day on which tax in respect of the supply became payable or would have become payable if the supply were not a zero-rated supply, add an amount equal to the total of

(1) interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) plus 4% per year compounded daily, on the total amount of tax that was payable or that would have been payable in respect of the supply if it were not a zero-rated supply, computed for the period beginning on that earliest day and ending on 31 March 2007; and

(2) interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu, on the amount of tax that was payable or that would have been payable in respect of the supply if it were not a zero-rated supply, plus the interest referred to in paragraph 1, computed for the period beginning on 1 April 2007 and ending on the day on or before which the return under section 468 for that reporting period is required to be filed.”

**670.** (1) Section 457.7 of the Act is amended by replacing subparagraph 2 of the second paragraph by the following subparagraph:

“(2) B is the rate of interest prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) that is in effect on the last day of that first reporting period.”

(2) Subsection 1 applies in respect of any reporting period of a registrant following a fiscal year of the registrant that ends after 31 March 2007. However, when the fiscal year of the registrant includes 1 April 2007, section 457.7 of the Act is to be read as follows:

**“457.7.** Where an authorization granted to a registrant under section 350.23.7 is in effect at any time in a fiscal year of the registrant and the shipping revenue percentage of the registrant, as defined in section 350.23.1, for that year is less than 90% or the circumstances described in paragraph 1 or 2 of section 350.23.11 exist in respect of the year, the registrant shall, in determining the net tax for the first reporting period of the registrant following the year, add the total of all amounts each of which is determined by the formula

$$A \times B/12.$$

For the purposes of the formula,

(1) A is

(a) the product obtained when 7.5% is multiplied by an amount of consideration that was paid or became payable before 1 April 2007 by the registrant for a supply made in Québec of property acquired by the registrant in the year that is a zero-rated supply only because it is referred to in section 179.2, other than a supply in respect of which the registrant is required under section 457.6 to add an amount in determining net tax for any reporting period, or

(b) the product obtained when 7.5% is multiplied by an amount of consideration not included in subparagraph *a* that was paid or became payable after 31 March 2007 by the registrant for a supply made in Québec of property acquired by the registrant in the year that is a zero-rated supply only because it is referred to in section 179.2, other than a supply in respect of which the registrant is required under section 457.6 to add an amount in determining net tax for any reporting period; and

(2) B is

(a) in the case where subparagraph *a* of subparagraph 1 applies, the total of 4% and the rate of interest prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31), expressed as a percentage per year, that is in effect on the last day of that first reporting period, and

(b) in the case where subparagraph *b* of subparagraph 1 applies, the rate of interest prescribed under section 28 of the Act respecting the Ministère du Revenu that is in effect on the last day of that first reporting period.”

**671.** (1) Sections 458.0.4 and 458.0.5 of the Act are replaced by the following sections:

**“458.0.4.** If a person fails to pay all of an instalment payable by the person under section 458.0.1 within the time specified in that section, the person shall pay, on the amount of the instalment not paid, interest at the rate prescribed under section 28 of the Act respecting the Ministère du

Revenu (chapter M-31), computed for the period beginning on the day of expiry of that time and ending on the earlier of

- (1) the day the total of the amount and interest is paid; and
- (2) the day on which the tax on account of which the instalment was payable is required to be remitted.

**“458.0.5.** Despite section 458.0.4, the total interest payable by a person under that section for the period beginning on the first day of a reporting period for which an instalment on account of tax is payable and ending on the day on which the tax on account of which the instalment was payable is required to be remitted must not exceed the amount, if any, by which the amount of interest that would be payable under section 458.0.4 for the period by the person if no amount were paid by the person on account of instalments payable in the period exceeds the total of all amounts each of which is an amount of interest at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31), computed on an instalment of tax paid for the period beginning on the day of that payment and ending on the day on which the tax on account of which the instalment was payable is required to be remitted.”

(2) Subsection 1, when it replaces section 458.0.4 of the Act, applies in respect of an instalment payable by a person after 31 March 2007. However, for the purpose of computing a penalty or interest in respect of an instalment that the person is required to pay under section 458.0.1 of the Act before 1 April 2007 and that the person has not paid before that day, section 458.0.4 of the Act is to be read as follows:

**“458.0.4.** A person who has not paid an amount referred to in section 458.0.1 within the time specified

(1) shall pay interest at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) on that amount and incurs a penalty of 6% per year, compounded daily, for the period beginning on the date of expiry of the time allowed for paying that amount and ending on 31 March 2007; and

(2) shall pay interest at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu on the total of the amount of the instalment that remains unpaid on 31 March 2007, plus the interest and penalty, if any, provided for in paragraph 1, for the period beginning on 1 April 2007 and ending on the earlier of

(a) the day the total of the amount of the instalment, interest and penalty is paid, and

(b) the day on which the tax on account of which the instalment was payable is required to be remitted.”

(3) Subsection 1, when it replaces section 458.0.5 of the Act, applies in respect of a reporting period of a person that begins after 31 March 2007. However, if the person is required to pay an instalment under section 458.0.1 of the Act before 1 April 2007, but fails to pay the instalment before the expiry of the time specified in section 458.0.1 of the Act and is required to remit the tax on account of which the instalment was payable on or before that date or a subsequent date, for the purpose of computing a penalty or interest applicable in respect of the instalment, section 458.0.5 is to be read as follows:

**“458.0.5.** Despite section 458.0.4, the total interest payable by a person under that section for the period beginning on the first day of a reporting period for which an instalment on account of tax is payable and ending on the day on which the tax on account of which the instalment was payable is required to be remitted must not exceed the amount, if any, by which the total of the interest and penalties that would be payable under section 458.0.4 for the period by the person if no amount were paid by the person on account of instalments payable in the period exceeds the total of all amounts each of which is

(1) an amount of interest at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) plus, if applicable, 6% per year compounded daily, computed on an instalment of tax paid before 1 April 2007, for the period beginning on the day of that payment and ending on 31 March 2007;

(2) an amount of interest at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu, applicable on interest computed on the instalment referred to in paragraph 1 for the period beginning on 1 April 2007 and ending on the day on which the tax on account of which the particular instalment was payable is required to be remitted; and

(3) an amount of interest at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu, applicable on interest computed on an instalment of tax paid after 31 March 2007, for the period beginning on the day of that payment and ending on the day on which the tax on account of which the instalment was payable is required to be remitted.”

**672.** (1) The Act is amended by inserting the following after section 670.29:

## **“DIVISION II.2**

### **“TRANSITIONAL SALES TAX REBATE IN RESPECT OF A RESIDENTIAL COMPLEX**

**“670.30.** Subject to section 670.41, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.31 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 31 December 2007;

(2) the particular person is entitled to claim a rebate under subsection 1 of section 256.7 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 or section 670.2, in respect of the tax referred to in paragraph 3.

**“670.31.** For the purposes of section 670.30, 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 256.7 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.2.

**“670.32.** Subject to section 670.41, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.33 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 31 December 2007;

(2) the particular person is entitled to claim a rebate under subsection 2 of section 256.7 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.

**“670.33.** For the purposes of section 670.32, 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 256.7 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.

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.4.

**“670.34.** Subject to section 670.41, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.35 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 31 December 2007;

(2) the particular person is entitled to claim a rebate under subsection 3 of section 256.7 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 or section 670.6, in respect of that tax.



**“670.35.** For the purposes of section 670.34, 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 256.7 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.6.

**“670.36.** Subject to section 670.41, a cooperative housing corporation is entitled to a rebate determined in accordance with section 670.37 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 31 December 2007;

(2) the cooperative housing corporation is entitled to claim a rebate under subsection 4 of section 256.7 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 any of sections 378.10, 378.14, 383 to 388, 389, 394 to 397.2 and 670.8, in respect of the tax referred to in paragraph 3.

**“670.37.** For the purposes of section 670.36, 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 256.7 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

$$A - (36\% \times A); \text{ and}$$

(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 256.7 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 256.7 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.

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.8.

**“670.38.** Subject to section 670.41, a particular individual is entitled to a rebate determined in accordance with section 670.39 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 31 December 2007;

(2) the particular individual is entitled to claim a rebate under subsection 5 of section 256.7 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.

**“670.39.** For the purposes of section 670.38, 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 256.7 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.

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.10.

**“670.40.** If a supply of a residential complex is made to two or more individuals, a reference in sections 670.38 and 670.39 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 670.38.

**“670.41.** A person is entitled to a rebate under sections 670.30 to 670.40 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.

**“670.42.** Subject to section 670.51, a particular person is entitled to a rebate determined in accordance with section 670.43 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 31 December 2007;

(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 provided for in 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 256.71 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.43.** For the purposes of section 670.42, 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 256.71 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 670.42 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.

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.14.

**“670.44.** Subject to section 670.51, a builder is entitled to a rebate determined in accordance with section 670.45 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 31 December 2007;

(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 provided for in 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 any of sections 378.8, 378.14 and 670.16, 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 256.71 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.45.** For the purposes of section 670.44, 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 256.71 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.

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.16.

**“670.46.** Subject to section 670.51, a particular person is entitled to a rebate determined in accordance with section 670.47 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 31 December 2007;

(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 provided for in 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 256.71 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.47.** For the purposes of section 670.46, 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 256.71 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.18.

**“670.48.** Subject to section 670.51, a builder is entitled to a rebate determined in accordance with section 670.49 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 31 December 2007;

(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 provided for in 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 or section 670.20, 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 256.71 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.49.** For the purposes of section 670.48, 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 256.71 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.20.

**“670.50.** If the supplies referred to in sections 670.42 to 670.49 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 670.42, only the individual who applied for the rebate under sections 370.0.1 to 370.4 may apply for the rebate under section 670.42.

**“670.51.** A person is entitled to a rebate under sections 670.42 to 670.50 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 day that is the end of the month in which the tax referred to in paragraph 3 of section 670.44 or paragraph 3 of section 670.48 is deemed to have been paid by the builder.

**“670.52.** Subject to section 670.55, a particular person is entitled to a rebate determined in accordance with section 670.53 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 31 December 2007;

(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 provided for in section 16 in respect of the supply;

(5) where the builder is deemed to have paid the tax referred to in paragraph 4 after 31 December 2007, 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 256.72 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition.

**“670.53.** For the purposes of section 670.52, the rebate to which a particular person is entitled, in respect of the residential complex or of an 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

$$A \times 7.5\% \times (1 - B/C); \text{ and}$$

(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 256.72 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 256.72 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 670.52 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.

The amount of the rebate referred to in subparagraph 1 of the first paragraph is added to the amount of the rebate provided for in subparagraph 1 of the first paragraph of section 670.24.

The amount of the rebate referred to in subparagraph 2 of the first paragraph is added to the amount of the rebate provided for in subparagraph 2 of the first paragraph of section 670.24.

**“670.54.** If the supplies referred to in sections 670.52 and 670.53 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 670.53, only the individual who applied for the rebate under sections 370.0.1 to 370.4 may apply for the rebate under that subparagraph.

**“670.55.** A person is entitled to a rebate under section 670.52 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 670.52 is transferred to the person.

**“670.56.** Subject to section 670.58, a builder is entitled to a rebate determined in accordance with section 670.57 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 31 December 2007 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 provided for in 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 any of sections 378.8, 378.14 and 670.28, 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 256.73 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition.

**“670.57.** For the purposes of section 670.56, 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 256.73 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.

The amount of the rebate referred to in the first paragraph is added to the amount of the rebate provided for in section 670.28.

**“670.58.** A builder is entitled to a rebate under section 670.56 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 day that is the end of the month in which the tax referred to in section 670.56 is deemed to have been paid by the builder.

**“670.59.** Subject to section 670.70, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.60 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into after 2 May 2006 but before 31 October 2007, 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 31 December 2007;

(2) the particular person is entitled to claim a rebate under subsection 1 of section 256.74 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.

**“670.60.** For the purposes of section 670.59, 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 256.74 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

**“670.61.** Subject to section 670.70, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.62 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into after 2 May 2006 but before 31 October 2007, 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 31 December 2007;

(2) the particular person is entitled to claim a rebate under subsection 2 of section 256.74 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.

**“670.62.** For the purposes of section 670.61, 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 256.74 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.

**“670.63.** Subject to section 670.70, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.64 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into after 2 May 2006 but before 31 October 2007, 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 31 December 2007;

(2) the particular person is entitled to claim a rebate under subsection 3 of section 256.74 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.

**“670.64.** For the purposes of section 670.63, 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 256.74 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

**“670.65.** Subject to section 670.70, a cooperative housing corporation is entitled to a rebate determined in accordance with section 670.66 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into after 2 May 2006 but before 31 October 2007, 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 31 December 2007;

(2) the cooperative housing corporation is entitled to claim a rebate under subsection 4 of section 256.74 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 any of sections 378.10, 378.14, 383 to 388, 389 and 394 to 397.2, in respect of the tax referred to in paragraph 3.

**“670.66.** For the purposes of section 670.65, 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 256.74 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 256.74 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 256.74 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.

**“670.67.** Subject to section 670.70, a particular individual is entitled to a rebate determined in accordance with section 670.68 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into after 2 May 2006 but before 31 October 2007, 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 31 December 2007;

(2) the particular individual is entitled to claim a rebate under subsection 5 of section 256.74 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.

**“670.68.** For the purposes of section 670.67, 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 256.74 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.

**“670.69.** If a supply of a residential complex is made to two or more individuals, a reference in sections 670.67 and 670.68 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 360.5 and 362.2 to 370 may apply for the rebate under section 670.67.

**“670.70.** A person is entitled to a rebate under sections 670.59 to 670.69 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.

**“670.71.** Subject to section 670.80, a particular person is entitled to a rebate determined in accordance with section 670.72 if

(1) under an agreement, evidenced in writing, entered into after 2 May 2006 but before 31 October 2007 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 31 December 2007;

(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 provided for in 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 256.75 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.72.** For the purposes of section 670.71, 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 256.75 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 670.71 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.

**“670.73.** Subject to section 670.80, a builder is entitled to a rebate determined in accordance with section 670.74 if

(1) under an agreement, evidenced in writing, entered into after 2 May 2006 but before 31 October 2007 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 31 December 2007;

(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 provided for in 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 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 256.75 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.74.** For the purposes of section 670.73, 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 256.75 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.

**“670.75.** Subject to section 670.80, a particular person is entitled to a rebate determined in accordance with section 670.76 if

(1) under an agreement, evidenced in writing, entered into after 2 May 2006 but before 31 October 2007 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 31 December 2007;

(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 provided for in 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 256.75 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.76.** For the purposes of section 670.75, 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 256.75 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

**“670.77.** Subject to section 670.80, a builder is entitled to a rebate determined in accordance with section 670.78 if

(1) under an agreement, evidenced in writing, entered into after 2 May 2006 but before 31 October 2007 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 31 December 2007;

(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 provided for in 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 256.75 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

**“670.78.** For the purposes of section 670.77, 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 256.75 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

**“670.79.** If the supplies referred to in sections 670.71 to 670.78 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 670.71, only the individual who applied for the rebate under sections 370.0.1 to 370.4 may apply for the rebate under section 670.71.

**“670.80.** A person is entitled to a rebate under sections 670.71 to 670.79 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 day that is the end of the month in which the tax referred to in paragraph 3 of section 670.73 or paragraph 3 of section 670.77 is deemed to have been paid by the builder.

**“670.81.** Subject to section 670.84, a particular person is entitled to a rebate determined in accordance with section 670.82 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 31 December 2007;

(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 provided for in section 16 in respect of the supply;

(5) where the builder is deemed to have paid the tax referred to in paragraph 4 after 31 December 2007, it is the case that

(a) the builder and the particular person entered into the agreement after 2 May 2006 but before 31 October 2007, or

(b) the builder and a person, other than the particular person, after 2 May 2006 but before 31 October 2007, 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 January 2008; and

(6) the particular person is entitled to claim a rebate under subsection 1 of section 256.76 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition.

**“670.82.** For the purposes of section 670.81, the rebate to which a particular person is entitled, in respect of the residential complex or of an 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

$$A \times 7.5\% \times (1 - B/C); \text{ and}$$

(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 256.76 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 256.76 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 670.81 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.

**“670.83.** If the supplies referred to in sections 670.81 and 670.82 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 670.82, only the individual who applied for the rebate under sections 370.0.1 to 370.4 may apply for the rebate under that subparagraph.

**“670.84.** A person is entitled to a rebate under section 670.81 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 670.81 is transferred to the person.

**“670.85.** Subject to section 670.87, a builder is entitled to a rebate determined in accordance with section 670.86 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 31 December 2007 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 after 2 May 2006 but before 31 October 2007, or

(b) the builder and a person, other than the particular person, after 2 May 2006 but before 31 October 2007, 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 January 2008;

(4) the builder is deemed to have paid tax provided for in 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 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 256.77 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition.

**“670.86.** For the purposes of section 670.85, 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 256.77 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.

**“670.87.** A builder is entitled to a rebate under section 670.85 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 day that is the end of the month in which the tax referred to in section 670.85 is deemed to have been paid by the builder.”

(2) Subsection 1 has effect from 1 January 2008.

**673.** (1) Section 677 of the Act is amended by inserting the following subparagraph after subparagraph 23 of the first paragraph:

“(23.1) determine, for the purposes of section 188.1, the prescribed supplies;”.

(2) Subsection 1 has effect from 1 July 1992.

#### FUEL TAX ACT

**674.** Section 10.2 of the Fuel Tax Act (R.S.Q., chapter T-1) is amended

(1) by replacing “Bands” in the first and third paragraphs by “bands”;

(2) by replacing “Band management activities” in the second and third paragraphs by “band management activities”;

(3) by replacing “entities mandated by a Band” wherever it appears by “band-empowered entities”.

**675.** Section 14 of the Act is amended by replacing “et” after “vendu, livré” in the first paragraph in the French text by “ou”.

ACT TO AGAIN AMEND THE TAXATION ACT, THE ACT  
RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE  
PROVISIONS

**676.** Section 462 of the Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85) is amended by adding the following paragraph at the end of section 69.5 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by subsection 2:

“For the purposes of the first paragraph, a supply of a right to use the device is deemed to be a supply of a service rendered through the operation of the device.”

**677.** (1) Section 487 of the Act is amended by replacing subsection 2 by the following subsection:

“(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due. However,

(1) in respect of supplies made by a charity of admissions to a dinner, ball, concert, show or like event before 1 January 1997, Chapter III of Title I of the said Act applies as if this Act had not come into force;

(2) in respect of supplies for which consideration becomes due, or is paid without having become due, after 31 December 1996 but before 1 May 2002, the portion before paragraph 1 of section 138.6 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by subsection 1, is to be read as follows:

“**138.6.** A supply by way of sale made by a charity to a recipient of corporeal movable property, other than a used and empty returnable container, as defined in section 350.24, the material resulting from its compaction or capital property of the charity, or of a service purchased by the charity for the purpose of making a supply by way of sale of the service, is exempt where the total charge for the supply is equal to the usual charge by the charity for such supplies to such recipients and”; and

(3) in respect of supplies for which consideration becomes due, or is paid without having become due, after 30 April 2002 but before 16 July 2002, the portion before paragraph 1 of section 138.6 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by subsection 1, is to be read as follows:

**“138.6.** A supply by way of sale made by a charity to a recipient of corporeal movable property, other than a used and empty returnable container, as defined in section 350.42.3, the material resulting from its compaction or capital property of the charity, or of a service purchased by the charity for the purpose of making a supply by way of sale of the service, is exempt where the total charge for the supply is equal to the usual charge by the charity for such supplies to such recipients and”.

(2) Subsection 1 has effect from 19 December 1997.

**678.** (1) Section 495 of the Act is amended by replacing subsection 2 by the following subsection:

“(2) Subsection 1 has effect in respect of supplies for which all of the consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due. However,

(1) in respect of supplies for which consideration becomes due, or is paid without having become due, after 31 December 1996 but before 1 May 2002, the portion before paragraph 1 of section 148 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by subsection 1, is to be read as follows:

**“148.** A supply by way of sale made by a public service body to a recipient of corporeal movable property, other than a used and empty returnable container, as defined in section 350.24, the material resulting from its compaction or capital property of the body, or of a service purchased by the body for the purpose of making a supply by way of sale of the service is exempt, where the total charge for the supply is equal to the usual charge by the body for such supplies to such recipients and”; and

(2) in respect of supplies for which consideration becomes due, or is paid without having become due, after 30 April 2002 but before 16 July 2002, the portion before paragraph 1 of section 148 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by subsection 1, is to be read as follows:

**“148.** A supply by way of sale made by a public service body to a recipient of corporeal movable property, other than a used and empty returnable container, as defined in section 350.42.3, the material resulting from its compaction or capital property of the body, or of a service purchased by the body for the purpose of making a supply by way of sale of the service is exempt, where the total charge for the supply is equal to the usual charge by the body for such supplies to such recipients and”.

(2) Subsection 1 has effect from 19 December 1997.

ACT TO AGAIN AMEND THE TAXATION ACT AND OTHER  
LEGISLATIVE PROVISIONS

**679.** (1) Section 96 of the Act to again amend the Taxation Act and other legislative provisions (2006, chapter 36) is amended by replacing subsection 2 by the following subsection:

“(2) Subsection 1 applies in respect of a taxation year that ends after 29 June 2006. In addition,

(1) if a recognized arts organization that qualifies as a registered cultural or communications organization under the second paragraph of section 985.35.12 of the Act has expended a disbursement excess for its first taxation year that ends after 29 June 2006, for the purposes of Chapter III.3.2 of Title I of Book VIII of Part I of the Act, the disbursements are deemed to be a disbursement excess of the recognized arts organization, for the purposes of Chapter III.3 of Title I of Book VIII of Part I of the Act, for its last taxation year that ends before 30 June 2006, except to the extent that those disbursements are included by the registered cultural or communications organization in computing its amounts expended on artistic, cultural or communications activities under section 985.35.15 of the Act; and

(2) when the third paragraph of section 985.31 of the Act applies after 20 December 2002, it is to be read as if “a gift” was replaced by “the eligible amount of a gift”.

(2) Subsection 1 has effect from 6 December 2006.

**680.** If, because of subparagraph i or ii of paragraph *c* of the definition of “taxation year” in section 1 of the Taxation Act (R.S.Q., chapter I-3), enacted by section 6, the taxation year of a testamentary trust ends at a time other than the time at which it would have ended but for those subparagraphs and the correlative amendments made to the Taxation Act by this Act, the following rules apply in respect of that taxation year, unless the first taxation year of the testamentary trust ends after 13 March 2008:

(1) for the purposes of section 1037 of the Taxation Act, the testamentary trust’s balance-due day for the year is deemed to correspond to the balance-due day that otherwise is the testamentary trust’s balance-due day for the year or, if it is later, to 13 November 2009;

(2) for the purposes of section 1038 of the Taxation Act, the date of expiry of the time granted to the testamentary trust for making a payment, in relation to that year, is deemed to correspond to the date of expiry of the time otherwise granted to the testamentary trust for making the payment or, if it is later, to 13 November 2009;

(3) for the purposes of section 1038.1 of the Taxation Act, the day on which a payment is made by the testamentary trust, in relation to that year, is deemed to correspond to the day on which the payment is otherwise made by the testamentary trust or, if it is later, to 13 November 2009; and

(4) for the purposes of section 1045 of the Taxation Act, the time when a fiscal return must be sent or filed by the testamentary trust for the year is deemed to correspond to the time when the return must otherwise be sent or filed by the testamentary trust for the year or, if it is later, to 13 November 2009.

**681.** If, because of the third or fourth paragraph of section 7 of the Taxation Act (R.S.Q., chapter I-3), enacted by section 13, a taxation year of a corporation ends at a time other than the time at which it would have ended but for those paragraphs and the correlative amendments made to the Taxation Act by this Act, the following rules apply in respect of that taxation year, unless the first taxation year of the corporation ends after 13 March 2008:

(1) for the purposes of section 1037 of the Taxation Act, the corporation's balance-due day for the year is deemed to correspond to the balance-due day that otherwise is the corporation's balance-due day for the year or, if it is later, to 13 November 2009;

(2) for the purposes of section 1038 of the Taxation Act, the date of expiry of the time granted to the corporation for making a payment, in relation to that year, is deemed to correspond to the date of expiry of the time otherwise granted to the corporation for making the payment or, if it is later, to 13 November 2009;

(3) for the purposes of section 1038.1 of the Taxation Act, the day on which a payment is made by the corporation, in relation to that year, is deemed to correspond to the day on which the payment is otherwise made by the corporation or, if it is later, to 13 November 2009; and

(4) for the purposes of section 1045 of the Taxation Act, the time when a fiscal return must be sent or filed by the corporation for the year is deemed to correspond to the time when the return must otherwise be sent or filed by the corporation for the year or, if it is later, to 13 November 2009.

**682.** If, because of the third or fourth paragraph of section 7 of the Taxation Act (R.S.Q., chapter I-3), enacted by section 13, a fiscal period of a business or property of an individual, other than a testamentary trust, ends at a time other than the time at which it would have ended but for those paragraphs and the correlative amendments made to the Taxation Act by this Act, the following rules apply in respect of the individual's taxation year in which that fiscal period ends, unless the first fiscal period of the business or property of the individual ends after 13 March 2008:

(1) for the purposes of section 1037 of the Taxation Act, the individual's balance-due day for the year is deemed to correspond to the balance-due day that otherwise is the individual's balance-due day for the year or, if it is later, to 13 November 2009;

(2) for the purposes of section 1038 of the Taxation Act, the date of expiry of the time granted to the individual for making a payment, in relation to that year, is deemed to correspond to the date of expiry of the time otherwise granted to the individual for making the payment or, if it is later, to 13 November 2009;

(3) for the purposes of section 1038.1 of the Taxation Act, the day on which a payment is made by the individual, in relation to that year, is deemed to correspond to the day on which the payment is otherwise made by the individual or, if it is later, to 13 November 2009; and

(4) for the purposes of section 1045 of the Taxation Act, the time when a fiscal return must be sent or filed by the individual for the year is deemed to correspond to the time when the return must otherwise be sent or filed by the individual for the year or, if it is later, to 13 November 2009.

**683.** If, because of the third or fourth paragraph of section 7 of the Taxation Act (R.S.Q., chapter I-3), enacted by section 13, a fiscal period of a business or property of a partnership of which a taxpayer is a member ends at a time other than the time at which it would have ended but for those paragraphs and the correlative amendments made to the Taxation Act by this Act, the following rules apply in respect of the taxpayer's taxation year in which that fiscal period ends, unless the first fiscal period of the business or property of the partnership ends after 13 March 2008 or if, where the taxpayer is a corporation or testamentary trust, the first taxation year of the taxpayer ends after that date:

(1) for the purposes of section 1037 of the Taxation Act, the taxpayer's balance-due day for the year is deemed to correspond to the balance-due day that otherwise is the taxpayer's balance-due day for the year or, if it is later, to 13 November 2009;

(2) for the purposes of section 1038 of the Taxation Act, the date of expiry of the time granted to the taxpayer for making a payment, in relation to that year, is deemed to correspond to the date of expiry of the time otherwise granted to the taxpayer for making the payment or, if it is later, to 13 November 2009;

(3) for the purposes of section 1038.1 of the Taxation Act, the day on which a payment is made by the taxpayer, in relation to that year, is deemed to correspond to the day on which the payment is otherwise made by the taxpayer or, if it is later, to 13 November 2009; and

(4) for the purposes of section 1045 of the Taxation Act, the time when a fiscal return must be sent or filed by the taxpayer for the year is deemed to correspond to the time when the return must otherwise be sent or filed by the taxpayer for the year or, if it is later, to 13 November 2009.

**684.** An application referred to in section 985.4.3 of the Taxation Act (R.S.Q., chapter I-3), in respect of one or more taxation years that end after 31 December 1999, may be made after that date and before 13 August 2009. If a designation referred to in that section for any of those taxation years is made in response to the application, the charity is deemed to be registered as a charitable organization, a public foundation or a private foundation, as the case may be, for the taxation years that the Minister of Revenue specifies.

**685.** For the purpose of applying section 985.9 of the Taxation Act (R.S.Q., chapter I-3) as it reads in respect of a gift made after 20 December 2002 and in a taxation year that begins before 23 March 2004:

(1) paragraph *a* of that section is to be read as if “the aggregate of all gifts, other than a gift mentioned in section 985.9.1, for which the foundation” was replaced by “the aggregate of all amounts each of which is the eligible amount of a gift, other than a gift mentioned in section 985.9.1, for which the foundation”;

(2) paragraph *a.1* of that section is to be read as if “the aggregate of all amounts each of which is the amount of a gift” was replaced by “the aggregate of all amounts each of which is the eligible amount of a gift”.

**686.** Despite section 1029.6.0.1.2 of the Taxation Act (R.S.Q., chapter I-3), if a taxpayer who could not, because of amendments made to sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11 of the Act by sections 94, 96 to 98, 103 and 104 of the Act to amend the Taxation Act and other legislative provisions (2006, chapter 13), be deemed to have paid an amount to the Minister of Revenue for a taxation year under any of Divisions II to II.3 of Chapter III.1 of Title III of Book IX of Part I of the Taxation Act, files with the Minister of Revenue the prescribed form containing prescribed information and, if applicable, a copy of the documents referred to in that section 1029.6.0.1.2 more than 12 months after the taxpayer’s filing-due date for the taxation year in order to be deemed to have paid an amount to the Minister for that year under any of those divisions, the taxpayer is deemed to have filed with the Minister of Revenue the prescribed form containing prescribed information and, if applicable, a copy of those documents on or before the day that is 12 months after the taxpayer’s filing-due date for the taxation year, for the purpose of being so deemed to have paid an amount, if the taxpayer files such an application with the Minister of Revenue on or before 31 August 2008.

**687.** This Act comes into force on 15 May 2009.