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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-SIXTH LEGISLATURE

Bill 3

## **An Act to amend the Taxation Act and other legislative provisions**

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**Introduction**

**Introduced by  
Madam Rita Dionne-Marsolais  
Minister of Revenue**

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## EXPLANATORY NOTES

*This bill amends various legislation to give effect primarily to the Budget Speech delivered by the Minister of Finance on 31 March 1998, to the Minister's Statement of 11 June 1998 and to Information Bulletins 97-3, 97-4, 97-5, 97-6, 97-7, 98-1, 98-3, 98-5, 98-6 and 98-8 issued by the Ministère des Finances respectively on 22 May 1997, 3 July 1997, 16 October 1997, 14 November 1997, 18 December 1997, 13 February 1998, 23 June 1998, 17 September 1998, 24 September 1998 and 22 December 1998.*

*Amendments are also introduced to give effect to various measures contained in the Budget Speech delivered by the Minister of Finance on 25 March 1997.*

*The bill amends the Mining Duties Act to raise the rate of the additional exploration allowance for mining exploration expenses incurred in the Near North and Far North of Québec from 50% to 75%.*

*The bill amends the Tobacco Tax Act to raise the rate of the tax on tobacco products in parallel with the introduction of a zero-rating measure within the Québec sales tax system, primarily to counter fraud inherent in the tobacco products trade.*

*The bill amends the Taxation Act mainly to amend or introduce a number of fiscal measures specific to Québec. It also brings amendments similar to those made to the Income Tax Act of Canada in federal Bill C-28 (S.C. 1998, chapter 19) assented to on 18 June 1998. In particular, the amendments*

*(1) enhance the tax treatment for charitable donations and standardize the rules that apply to such donations and to Crown gifts;*

*(2) raise the exploration expense deduction by an amount equal to 25% of exploration expense incurred in the Near North and Far North of Québec;*

*(3) introduce a deduction available to a corporation, for a period of five years, in computing its taxable income in relation to its income from the administration and management of an investment fund;*

*(4) make changes to the stock savings plan to allow a regional venture capital corporation to issue a new class of shares that are eligible under the plan;*

*(5) streamline the rules pertaining to sub-contracting in connection with the refundable tax credit for scientific research and experimental development;*

*(6) raise the refundable tax credit rate for Québec film productions in relation to wages paid to create computer-aided special effects and animation as part of certain productions;*

*(7) introduce a refundable tax credit for labour expenditure incurred by a corporation to have films dubbed in Québec;*

*(8) introduce a refundable tax credit for film production services in relation to labour expenditure incurred by a corporation for services provided in Québec as part of the filming of a foreign production, and raise the rate of that tax credit in relation to wages paid to create computer-aided special effects and animation as part of such a production;*

*(9) raise the refundable tax credit rate for multimedia titles and introduce two new sections within the credit to simplify its application;*

*(10) introduce a refundable tax credit for corporations specialized in the production of multimedia titles which is to be available to corporations engaged in producing multimedia titles and, where applicable, in scientific research and experimental development in connection with multimedia titles;*

*(11) introduce a refundable tax credit in relation to wages paid by a corporation established in the Multimedia Complex to carry on an activity relating to the multimedia sector or an activity related to information technologies;*

*(12) enhance and streamline the rules relating to corporations carrying on a business in a building housing an information technologies development centre;*

*(13) enhance the measures pertaining to the shipbuilding industry in Québec, in particular by raising the refundable tax credit rate for the construction of a prototype from 40% to 50%, introducing a refundable tax credit for prototype conversion and making the tax credit available for the first three vessels constructed*

*or converted according to the prototype plans and specifications as part of a production run;*

*(14) introduce a temporary refundable tax credit for job creation in the clothing and footwear industry;*

*(15) introduce a refundable tax credit for expenditure incurred by a corporation in relation to the creation of an investment fund and that is attributable to the fund's start-up period;*

*(16) introduce a temporary refundable tax credit in relation to wages paid by a portfolio management corporation to fund managers;*

*(17) introduce a refundable tax credit for individuals living in northern villages, payable in two equal instalments in August and December of each year; and*

*(18) enhance the reduction in the tax on capital to enable the reduction to apply to certain vessels converted in Québec.*

*The bill amends the Licenses Act to harmonize the reporting periods for license duties with the reporting periods in the Québec sales tax system.*

*The bill amends the Act respecting income security and the Act respecting income support, employment assistance and social solidarity in particular to take into account the rules concerning the elimination of the tax treatment of child support payments and total family income subsequent to the implementation of simplified income taxation rules.*

*The bill amends the Act respecting Québec business investment companies to simplify the Québec business investment company program and to standardize the tax assistance in its application to all investments made by such companies.*

*The bill amends the Act respecting the Québec sales tax primarily to insert measures that concern*

*(1) the zero-rating of services relating to corporeal movable property usually situated outside Québec but within Canada;*

*(2) the exemption of 9-1-1 emergency call services acquired by a municipality;*

*(3) the harmonization of reporting periods for the specific tax on alcoholic beverages with the reporting periods under the Québec sales tax system; and*

*(4) the reduction of the duty on perchloroethylene.*

*The bill amends the Fuel Tax Act to relax the rule prohibiting the transfer of fuel to certain dealers.*

*The bill also amends other legislation to make various technical and consequential amendments and changes in terminology.*

**LEGISLATION AMENDED BY THIS BILL :**

- Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001);
- Cultural Property Act (R.S.Q., chapter B-4);
- Mining Duties Act (R.S.Q., chapter D-15);
- Act respecting municipal taxation (R.S.Q., chapter F-2.1);
- Tobacco Tax Act (R.S.Q., chapter I-2);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the application of the Taxation Act (R.S.Q., chapter I-4);
- Licenses Act (R.S.Q., chapter L-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 income security (R.S.Q., chapter S-3.1.1);
- Act respecting Québec business investment companies (R.S.Q., chapter S-29.1);
- 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 and other legislative provisions (1993, chapter 19);
- Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1);
- Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85);
- Act to amend the Taxation Act and other legislative provisions of a fiscal nature (1998, chapter 16);
- Act respecting income support, employment assistance and social solidarity (1998, chapter 36).

## **Bill 3**

### **AN ACT TO AMEND THE TAXATION ACT AND OTHER LEGISLATIVE PROVISIONS**

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

#### **ACT RESPECTING INDUSTRIAL ACCIDENTS AND OCCUPATIONAL DISEASES**

1. (1) Section 289 of the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001) is amended by replacing, in the fourth line of the second paragraph, the words “with the exception of gratuities and” by the words “including any tip that the employer is deemed to pay as remuneration to the worker under section 1019.7 of that Act, with the exception”.

(2) Subsection 1 applies from 1 January 2000.

#### **CULTURAL PROPERTY ACT**

2. (1) Section 2.1 of the Cultural Property Act (R.S.Q., chapter B-4), enacted by section 11 of chapter 85 of the statutes of 1997, is amended by replacing, in paragraph *b*, “paragraph *b.1*” by “subparagraph ii of paragraph *d*” and “in section 752.0.10.1” by “in the first paragraph of section 752.0.10.1”.

(2) Subsection 1 applies to a taxation year, within the meaning of Part I of the Taxation Act (R.S.Q., chapter I-3), that begins after 31 December 1997.

3. (1) Section 7.12 of the said Act, enacted by section 12 of chapter 85 of the statutes of 1997, is amended by replacing “paragraph *b.1*” by “subparagraph ii of paragraph *d*” and “in section 752.0.10.1” by “in the first paragraph of section 752.0.10.1”.

(2) Subsection 1 applies to a taxation year, within the meaning of Part I of the Taxation Act (R.S.Q., chapter I-3), that begins after 31 December 1997.

#### **MINING DUTIES ACT**

4. Section 1 of the Mining Duties Act (R.S.Q., chapter D-15), amended by section 18 of chapter 85 of the statutes of 1997, is again amended by inserting the following definition in alphabetical order:

““Minister” means the Minister of Natural Resources;”.

5. (1) Section 8 of the said Act, amended by section 19 of chapter 85 of the statutes of 1997, is again amended by replacing, in subparagraph *c* of paragraph 2, “any of paragraphs *a* to *f* of section 710 of the Taxation Act (chapter I-3)” by “section 710 of the Taxation Act (chapter I-3), if that section were read without reference to subparagraphs *vi* to *viii* of paragraph *a*,”.

(2) Subsection 1 applies to fiscal years that begin after 31 December 1997.

6. (1) Section 16.1 of the said Act is amended

(1) by inserting, after subparagraph *b* of paragraph 1, the following subparagraph:

“(b.1) 25% of the total of all amounts each of which is an amount referred to in subparagraph *b* that was incurred by the operator after 31 March 1998 and before that time in respect of exploration work performed

i. in the territory in which the program entitled “Near North Mineral Exploration Program”, implemented by the Ministère des Ressources naturelles, applies, or

ii. in the territory north of the 54°00' north latitude;”;

(2) by striking out, at the end of subparagraph *b* of paragraph 1, the word “and” and by replacing, at the end of subparagraph *c* of that paragraph, the word “exceeds” by the word “and”;

(3) by adding, after subparagraph *c* of paragraph 1, the following subparagraph:

“(d) 25% of the total of all amounts each of which is an amount repaid by the operator before that time, pursuant to an obligation to repay, in whole or in part, government assistance relating to an amount referred to in subparagraph *b.1*; exceeds”;

(4) by adding, after subparagraph *d* of paragraph 2, the following subparagraph:

“(e) 25% of the total of all amounts each of which is an amount of government assistance relating to an amount referred to in subparagraph *b.1* of paragraph 1 that the operator received or was entitled to receive before that time.”

(2) Subsection 1 applies in respect of expenses incurred after 31 March 1998.

7. (1) Section 16.4 of the said Act is replaced by the following:

“16.4. Where a share of the capital stock of an operator is issued to a person under an agreement in writing entered into between that person and the operator, under which the operator has agreed to incur expenses in respect of



exploration, mineral deposit evaluation or mine development work, that would be expenses referred to in subparagraph *b* of paragraph 1 of section 16.1, and to renounce, under the Taxation Act (chapter I-3), in favour of that person, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses to which the amount relates are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply if the share is issued to a legal person that undertakes in writing with the Minister not to renounce, under the Taxation Act, the expenses described in the agreement referred to in the first paragraph and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

8. (1) Section 16.5 of the said Act is replaced by the following :

“16.5. Where a share of the capital stock of an operator is issued to a partnership under an agreement in writing entered into between the partnership and the operator, under which the operator has agreed to incur expenses in respect of exploration, mineral deposit evaluation or mine development work, that would be expenses referred to in subparagraph *b* of paragraph 1 of section 16.1, and to renounce, under the Taxation Act (chapter I-3), in favour of the partnership, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses which relate to the amount or part thereof that has been renounced and which the partnership attributes to each partner are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the part of the expenses which relates to the amount attributed by the partnership to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, that part of the expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

9. (1) Section 16.6 of the said Act is replaced by the following :

“16.6. Where an operator is a partnership that incurs expenses in respect of exploration, mineral deposit evaluation or mine development work that would be expenses referred to in subparagraph *b* of paragraph 1 of section 16.1, the expenses relating to the share, described in paragraph *d* of section 395 of the Taxation Act (chapter I-3), which is attributed to each partner of the operator, are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the expenses which are attributed by the operator to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, those expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

10. (1) Section 19.5 of the said Act is replaced by the following :

“19.5. Where a share of the capital stock of an operator is issued to a person under an agreement in writing entered into between that person and the operator, under which the operator has agreed to incur expenses in respect of exploration or underground core drilling work carried out in Québec, that would be expenses referred to in subparagraph *a* of paragraph 1 of section 19.2, and to renounce, under the Taxation Act (chapter I-3), in favour of that person, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses to which the amount relates are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply if the share is issued to a legal person that undertakes in writing with the Minister not to renounce, under the Taxation Act, the expenses described in the agreement referred to in the first paragraph and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

11. (1) Section 19.6 of the said Act is replaced by the following :

“19.6. Where a share of the capital stock of an operator is issued to a partnership under an agreement in writing entered into between the partnership and the operator, under which the operator has agreed to incur expenses in respect of exploration or underground core drilling work carried out in Québec, that would be expenses referred to in subparagraph *a* of paragraph 1 of section 19.2, and to renounce, under the Taxation Act (chapter I-3), in favour of the partnership, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses which relate to the amount or part thereof that has been renounced and which the partnership attributes to each partner, are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the part of the expenses which relates to the amount attributed by the partnership to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, that part of the expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

12. (1) Section 19.7 of the said Act is replaced by the following :

“19.7. Where an operator is a partnership that incurs expenses in respect of exploration or underground core drilling work carried out in Québec, that would be expenses referred to in subparagraph *a* of paragraph 1 of section 19.2, the expenses relating to the share, described in paragraph *d* of section 395 of the Taxation Act (chapter I-3), which is attributed to each partner of the operator, are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the expenses which are attributed by the operator to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, those expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

13. (1) Section 21 of the said Act, amended by section 24 of chapter 85 of the statutes of 1997, is again amended by replacing paragraph 1 by the following :

“(1) the aggregate of

(a) an amount equal,

i. if the operator does not engage in smelting or refining, to 8% of the capital cost to the operator of each property that is a processing asset during the fiscal year and that is in the operator’s possession at the end of that fiscal year, and

ii. if the operator engages in smelting or refining, to the aggregate of

(1) 8% of the capital cost of each property referred to in subparagraph i, where the property is used solely in processing ore from a gold or silver mine, and

(2) the amount by which 15% of the capital cost of each property referred to in subparagraph i, where the property is used in processing ore other than ore from a gold or silver mine, exceeds 7% of the proportion of the capital cost of the property, where it is used for the purposes of concentration, that the quantity of ore concentrated by the operator, which is not smelted or refined by the operator and the processing of which required the use of the property, is of the total quantity of ore the processing of which required the use of the property ; and

(b) subject to section 21.1, 15% of the aggregate of all amounts each of which is the capital cost of property that is in the possession of the operator at the end of the operator's fiscal year, that is a processing asset, purchased new by the operator after 31 March 1998 and used by the operator in Québec during the fiscal year exclusively for the purpose of processing mine tailings; and".

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

14. (1) The said Act is amended by inserting, after section 21, the following section:

"21.1. For the purposes of subparagraph *b* of paragraph 1 of section 21, the capital cost of property used during a fiscal year that ends after the ninth fiscal year following the fiscal year during which the operator begins processing mine tailings is deemed to be nil."

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

15. (1) Sections 23 and 23.1 of the said Act are replaced by the following:

"23. Where property is used in a fiscal year both for the processing of ore and for another purpose, the part of the amount determined under subparagraph *a* of paragraph 1 of section 21 that relates to that property shall be reduced by an amount equal to the proportion of that part of the amount, determined without reference to this section or section 23.1, that the use of the property for a purpose other than processing for that fiscal year is of the total use of the property for that fiscal year.

"23.1. Where property is used in a fiscal year for the processing of ore the actual value of which is not taken into account in determining the gross value of the annual output under section 6, the part of the amount determined under subparagraph *a* or *b* of paragraph 1 of section 21, subject to section 23, that relates to that property shall be reduced by an amount equal to the proportion of that part of the amount that the part of the quantity of processed ore the actual value of which is not taken into account in determining the gross value of the annual output, for that fiscal year, is of the total quantity of ore processed by the operator in that fiscal year and the processing of which required the use of the property."

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

16. (1) Section 25 of the said Act is replaced by the following:

"25. Where the fiscal year of an operator comprises fewer than 12 months, the amount determined under subparagraph *a* or *b* of paragraph 1 of section 21 shall be reduced by the proportion of the amount that the number of days by which 365 exceeds the number of days in the fiscal year is of 365."

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

17. (1) Section 32 of the said Act is amended by replacing subparagraph *b* of paragraph 2 by the following:

“(b) the total of the following amounts, without however exceeding the amount deducted by the operator under subparagraph *e* of paragraph 2 of section 8 in computing the operator’s annual profit for that fiscal year:

i. the amount that is the amount by which the expenses in respect of exploration, mineral deposit evaluation and mine development work, incurred by the operator for the fiscal year in connection with mining operation, exceeds the amount of government assistance that the operator received or was entitled to receive for that fiscal year and that relates to those expenses, and provided that such expenses, notwithstanding section 16.2, have been declared by the operator to be deductible expenses, on or before the date on or before which the operator is required to file the operator’s return, in accordance with section 36, for that fiscal year, and

ii. the total of all amounts each of which is the amount by which an amount referred to in subparagraph *b.1* of paragraph 1 of section 16.1 that relates to expenses incurred by the operator during that fiscal year and declared by the operator to be deductible expenses, on or before the date provided in subparagraph *i*, exceeds the amount that is 25% of the government assistance that the operator received or was entitled to receive for that fiscal year and that relates to those expenses.”

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

18. The said Act, amended by chapter 85 of the statutes of 1997, is again amended by replacing the words “Minister of Natural Resources” by the word “Minister” in the following provisions:

— the first paragraph of section 59.0.1;

— section 59.0.2;

— section 96.

#### ACT RESPECTING MUNICIPAL TAXATION

19. (1) Section 224 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1) is replaced by the following:

“224. Where a person referred to in section 221 operates or has operated a gas distribution or telecommunication system which is not limited to Québec, the taxable revenue for the purpose of computing the tax the person is required to pay under that section for a fiscal period is equal to the amount of the taxable revenue that would be determined for the fiscal period, but for this

section, that the part of the person's gross revenue from a business referred to in paragraph 4 of section 228, that may reasonably be attributed to Québec for that fiscal period is of the part of the person's gross revenue, from that business, that may reasonably be attributed to a particular jurisdiction for that fiscal period."

(2) Subsection 1 applies to fiscal periods that end after 14 May 1992.

## TOBACCO TAX ACT

20. (1) Section 2 of the Tobacco Tax Act (R.S.Q., chapter I-2) is amended by replacing the definition of "loose tobacco" by the following:

"“loose tobacco” means any cut, chopped or granular tobacco sold in packages, but does not include tobacco sticks, cigarettes, cigars, leaf tobacco, rolls of tobacco or any other pre-rolled tobacco products designed for smoking;”.

(2) Subsection 1 has effect from 13 February 1998.

21. (1) Section 8 of the said Act, amended by section 31 of chapter 85 of the statutes of 1997, is again amended by replacing paragraphs *a* to *d* by the following:

“(a) \$0.04 per cigarette and per cigar sold at a retail price of \$0.15 or less ;

“(b) \$0.019 per gram of any loose tobacco ;

“(b.1) \$0.0083 per gram of any leaf tobacco ;

“(c) 60% of the retail price of each cigar other than a cigar sold at a retail price of \$0.15 or less ;

“(d) \$0.0454 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars. However, where the quantity of tobacco contained in a tobacco stick, a roll of tobacco or any other pre-rolled tobacco product designed for smoking is such that the consumer tax payable under this paragraph is less than \$0.0295 per tobacco stick, roll of tobacco or other pre-rolled tobacco product, the consumer tax shall be \$0.0295 per tobacco stick, roll of tobacco or other pre-rolled tobacco product designed for smoking.”

(2) Subsection 1 has effect from 23 June 1998. However, for the period that begins on 13 February 1998 and ends on 22 June 1998, paragraphs *a* to *d*, enacted by subsection 1, shall be read as follows :

“(a) \$0.0297 per cigarette and per cigar sold at a retail price of \$0.15 or less ;

“(b) \$0.0119 per gram of any loose tobacco ;

“(b.1) \$0.0059 per gram of any leaf tobacco ;

“(c) 57% of the retail price of each cigar other than a cigar sold at a retail price of \$0.15 or less ;

“(d) \$0.0348 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars. However, where the quantity of tobacco contained in a tobacco stick, a roll of tobacco or any other pre-rolled tobacco product designed for smoking is such that the consumer tax payable under this paragraph is less than \$0.0226 per tobacco stick, roll of tobacco or other pre-rolled tobacco product, the consumer tax shall be \$0.0226 per tobacco stick, roll of tobacco or other pre-rolled tobacco product designed for smoking.”

22. Section 10 of the said Act is replaced by the following :

“10. The tax imposed by this Act shall, as regards cigars, be computed on each cigar and, as regards other tobacco products, on every package, and any fraction of \$0.01 of that tax shall be computed as \$0.01.

However, the first paragraph does not apply in respect of cigars sold at a sale price of \$0.15 or less each or cigarettes nor, in the case of tobacco referred to in paragraph *d* of section 8, in respect of tobacco sticks, rolls of tobacco or any other pre-rolled tobacco products designed for smoking.”

23. Section 11 of the said Act is amended, in the English text, by replacing the first paragraph by the following :

“11. Every retail vendor shall collect, as a mandatary of the Minister, the tax provided for in section 8 on every sale of tobacco made by the retail vendor.”

## TAXATION ACT

24. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 32 of chapter 85 of the statutes of 1997 and by section 4 of chapter 16 of the statutes of 1998, is again amended

(1) by replacing, in the French text, the definition of “cotisation” by the following :

“«cotisation» comprend une nouvelle cotisation et une cotisation supplémentaire ;” ;

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

““private foundation” has the meaning assigned by paragraph *e* of section 985.1 ;

““public foundation” has the meaning assigned by paragraph *f* of section 985.1;”;

(3) by replacing the definition of “municipality” by the following:

““municipality” includes an urban community and a regional county municipality;”;

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

““regional county municipality” includes the Kativik Regional Government, established under the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1);”;

(5) by replacing the definition of “registered charity” by the following:

““registered charity” at any time means a charitable organization within the meaning of section 985.1, a private foundation or a public foundation, that is at that time registered with the Minister as a charitable organization within the meaning of that section 985.1, a private foundation or a public foundation, or that is deemed to be so registered in accordance with sections 985.5 to 985.5.2;”;

(6) by replacing the definition of “oil or gas well” by the following:

““oil or gas well” means any well, other than an exploratory probe or a well drilled from below the surface of the earth, drilled for the purpose of producing petroleum or natural gas or of determining the existence, location, extent or quality of a natural accumulation of petroleum or natural gas, but, for the purpose of applying sections 93 to 104 and 130 and any regulations made for the purpose of paragraph *a* of section 130 in respect of property acquired after 6 March 1996, does not include a well for the extraction of material from a deposit of bituminous sands or oil shales;”.

(2) Paragraphs 2 and 5 of subsection 1 have effect from 1 January 1997.

(3) Paragraphs 3 and 4 of subsection 1 have effect from 3 July 1997.

25. (1) Section 25 of the said Act, amended by section 34 of chapter 85 of the statutes of 1997 and by section 27 of chapter 16 of the statutes of 1998, is again amended by replacing, in the second paragraph, “737.21” by “737.21, 737.22.0.0.3”.

(2) Subsection 1 applies from the taxation year 1998.

26. (1) Section 38 of the said Act, amended by section 41 of chapter 16 of the statutes of 1998, is again amended by replacing the third paragraph by the following:



“Furthermore, the individual is not required in computing the individual’s income to include the value of any benefit under a retirement compensation arrangement, an employee benefit plan or an employee trust or under a salary deferral arrangement, except to the extent that the value of the benefit is included under section 37 because of section 47.11, the value of any benefit that was a benefit in respect of the use of an automobile, except if the benefit related to the use of an automobile owned or leased by the individual and is not referred to in section 41.1.2, the value of any benefit derived from counselling services received by the individual or a person related to the individual in respect of stress management or the use or consumption of tobacco, drugs or alcohol, other than a benefit attributable to an outlay or expense to which section 134 applies, or from counselling services in respect of the re-employment or retirement of the individual, or the value of any benefit derived from the individual’s participation in a training activity the cost of which is borne by the individual’s employer, if it is reasonable to consider that the training significantly benefits the individual’s employer.”

(2) Subsection 1 applies from the taxation year 1998. In addition, it applies to any taxation year of a taxpayer in respect of which the time limits provided for in subsection 2 of section 1010 of the said Act had not expired on 7 November 1998.

(3) For the purposes of subsection 2 and of Part I of the said Act, the Minister of Revenue shall, notwithstanding sections 1007, 1010 and 1011 of the said Act, make, pursuant to the said Part I, a determination or redetermination of the amount deemed to have been paid by a taxpayer under Division II.5 of Chapter III.1 of Title III of Book IX of that Part, and any assessment or reassessment of tax, interest and penalties of a taxpayer to give effect to subsection 1 and subsection 2.

27. (1) Section 78.1 of the said Act is amended by inserting, in the first paragraph, after the word “income”, the words “for the year”.

(2) Subsection 1 applies in respect of reimbursement payments made from the taxation year 1998.

28. (1) Section 87 of the said Act, amended by section 49 of chapter 85 of the statutes of 1997 and by section 81 of chapter 16 of the statutes of 1998, is again amended by replacing subparagraph ii of paragraph w by the following :

“ii. except as provided by any provision of Chapter III.1 of Title III of Book IX, does not reduce, for the purposes of this Part, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be,”.

(2) Subsection 1 has effect from 9 May 1996.

29. (1) Section 104.1 of the said Act is amended by replacing the portion before the formula in the first paragraph by the following :

“104.1. Where an amount in respect of depreciable property of a prescribed class is included under section 94 in computing the income for a taxation year of a taxpayer, whether that taxpayer is an individual or a corporation, and an amount was deducted or is deemed, pursuant to section 104.3, to have been deducted under section 156.1 or 156.1.1 in respect of that property in computing the taxpayer’s income from a business for a preceding taxation year, there shall be included in computing the taxpayer’s income from a business for the year an amount equal to the product obtained by multiplying the aggregate of the amounts determined in accordance with any of sections 156.2 to 156.3.1 in respect of the property for a preceding taxation year by the amount determined by the formula”.

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

30. (1) Section 104.1.1 of the said Act is amended

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

“104.1.1. Where an amount in respect of depreciable property of a prescribed class is included under section 94 in computing the income of a partnership for a fiscal period and an amount was deducted or is deemed, pursuant to section 104.3, to have been deducted under section 156.1 or 156.1.1 in respect of that property in computing the partnership’s income from a business for a preceding fiscal period, there shall be included in computing the income from a business of a taxpayer, whether that taxpayer is an individual or a corporation, who may reasonably be considered to be entitled for a particular taxation year, whether directly or indirectly through another partnership, to a share of the income of the partnership for the period, or, as the case may be, could reasonably be considered to be so entitled for the particular year to a share of the income of the partnership for the period if the partnership had income for the period, the amount determined by the formula”;

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

“In the formula provided for in the first paragraph,

(a) A is the amount that may reasonably be considered to be the taxpayer’s share of an amount equal to the product obtained by multiplying the aggregate of the amounts determined in accordance with any of sections 156.2 to 156.3.1 in respect of the property referred to in the first paragraph for a fiscal period preceding the period by the quotient obtained by dividing the amount included under section 94 in computing the income of the partnership for the period in respect of the property by the total depreciation, within the meaning of paragraph *b* of section 93, allowed to the partnership in respect of the property,”.

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

31. (1) Section 104.3 of the said Act is replaced by the following :

“104.3. For the purposes of this division, where at any time a taxpayer or a partnership has, in any manner whatever, acquired depreciable property of a prescribed class from a transferor, any of sections 7.6, 99, 439, 444, 450, 455, 462, 527, 565, 617, 624, 630, 688, 690.1 to 690.3 and 832.4 applied in respect of the acquisition, the property was, immediately before its acquisition by the taxpayer or the partnership, a capital property of the transferor and an amount was deducted under section 156.1 or 156.1.1 in respect of the property in computing the income of the transferor for any taxation year or fiscal period, the taxpayer or the partnership, as the case may be, is deemed to have deducted under section 156.1 or 156.1.1, as the case may be, in respect of the property in computing his or its income from a business for the taxation years or the fiscal periods preceding the taxation year or the fiscal period in which the taxpayer or the partnership, as the case may be, acquired the property, an amount equal to the amount so allowed as a deduction under those sections 156.1 and 156.1.1 in respect of the property in computing the income of the transferor.”

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

32. (1) Section 114 of the said Act, amended by section 330 of chapter 85 of the statutes of 1997, is again amended, in the second paragraph,

(1) by striking out, in subparagraph *a*, “or an eligible employee contemplated in section 15.2 or 15.2.1 of the Act respecting Québec business investment companies (chapter S-29.1)”;

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

“(b) where the lender or creditor is a corporation, in respect of a person who is an employee of the lender or creditor or of another corporation that is related to the lender or creditor, to enable or assist the person to acquire shares, described in any of the following subparagraphs, to be held by the person for the person’s own benefit:”;

(3) by striking out subparagraph *iii* of subparagraph *b*.

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

33. Section 156.1 of the said Act is amended by replacing, in the English text, paragraph *b* by the following :

“(b) where the taxpayer is a corporation, the proportion of the amount determined for the year in its respect under section 156.3 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year is of the business carried on in Québec by the corporation in the year.”

34. (1) The said Act is amended by inserting, after section 156.1, the following section:

“156.1.1. A partnership may deduct, in computing the partnership’s income from a business for a fiscal period, the proportion of the amount determined in its respect for the period under section 156.3.1 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the period is of the business carried on in Québec by the partnership in the period.”

(2) Subsection 1 applies in respect of property acquired by a partnership after 31 March 1998.

35. (1) The said Act is amended by inserting, after section 156.3, the following section:

“156.3.1. The amount to which section 156.1.1 refers is, in respect of a partnership for a fiscal period, equal to 20% of the amount determined for the fiscal period in respect of the partnership according to the formula

$$A \times B/C.$$

In the formula provided for in the first paragraph,

(a) A is the amount deducted by the partnership, in computing its income for the fiscal period, under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a property that would, if the partnership were a corporation, be a prescribed depreciable property for the purposes of subparagraph *a* of the second paragraph of section 156.3;

(b) B is the amount by which the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period exceeds the business carried on in Québec by the partnership in the fiscal period; and

(c) C is the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period.”

(2) Subsection 1 applies in respect of property acquired by a partnership after 31 March 1998.

36. (1) Section 156.4 of the said Act is amended

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

“156.4. For the purposes of sections 156.1 to 156.3.1, the following rules apply:”;

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

“(b) the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a corporation is made in the manner prescribed in the regulations made under subsection 2 of section 771, with the necessary modifications, and the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a partnership is made in the manner so prescribed in those regulations, with the necessary modifications, as if the partnership were a corporation and if its fiscal period were a taxation year.”

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

37. (1) Section 156.5 of the said Act, enacted by section 55 of chapter 85 of the statutes of 1997, is amended

(1) by striking out subparagraph *c* of the first paragraph;

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

“A taxpayer may not, under the first paragraph, deduct in computing the taxpayer’s income from a business for a taxation year an amount in respect of property acquired from a person or a partnership with whom or with which the taxpayer was not dealing at arm’s length at the time of the acquisition, if that person or that partnership was entitled to deduct, for a taxation year or a fiscal period, as the case may be, preceding the taxation year or fiscal period in which the property was disposed of, an amount in computing the person’s or the partnership’s income from a business under the first paragraph or under the first paragraph of section 156.5.1, as the case may be, in respect of the property.”

(2) Paragraph 1 of subsection 1 applies in respect of property acquired after 25 March 1997.

(3) Paragraph 2 of subsection 1 applies in respect of property acquired by a taxpayer after 25 March 1997, other than property acquired by the taxpayer pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the taxpayer on 25 March 1997.

38. (1) The said Act is amended by inserting, after section 156.5, enacted by section 55 of chapter 85 of the statutes of 1997, the following section:

“156.5.1. Subject to the second paragraph, a partnership may deduct, in computing its income from a business for a fiscal period the proportion of the amount determined for the fiscal period in its respect under the second paragraph of section 156.6 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period is of the business carried on in Québec by the partnership in the fiscal period.

A partnership may not, under the first paragraph, deduct in computing its income from a business for a fiscal period an amount in respect of property acquired from a person or a partnership with whom or with which it was not dealing at arm’s length at the time of the acquisition, if that person or that

partnership was entitled to deduct, for a taxation year or a fiscal period, as the case may be, preceding the taxation year or the fiscal period in which the property was disposed of, an amount in computing the person's or the partnership's income from a business under the first paragraph or under the first paragraph of section 156.5, as the case may be, in respect of the property.”

(2) Paragraph 1 of subsection 1 applies in respect of property acquired by a partnership after 25 March 1997, other than property acquired by it pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the partnership on 25 March 1997. However, where the first paragraph of section 156.5.1 of the said Act, enacted by subsection 1, applies in respect of property acquired before 1 April 1998, it shall be read as follows :

“156.5.1. Subject to the second paragraph, a partnership may deduct, in computing its income from a business for a fiscal period, the amount determined for the fiscal period in its respect under the second paragraph of section 156.6.”

39. (1) Section 156.6 of the said Act, enacted by section 55 of chapter 85 of the statutes of 1997, is amended by replacing the second paragraph by the following :

“The amount to which the first paragraph of section 156.5.1 refers, in relation to a partnership for a fiscal period, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing the partnership's income for the fiscal period, in respect of property acquired before 1 January 1999 that would be prescribed depreciable property for the purpose of subparagraph *a* of the second paragraph of section 156.3 if the partnership were a corporation.”

(2) Subsection 1 applies in respect of property acquired by a partnership after 25 March 1997, other than property acquired by it pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the partnership on 25 March 1997.

40. (1) Section 156.7 of the said Act, enacted by section 55 of chapter 85 of the statutes of 1997, is amended

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

“156.7. For the purposes of sections 156.5 and 156.5.1, the following rules apply:”;

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

“(b) the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a corporation is made in the manner prescribed in

the regulations made under subsection 2 of section 771, with the necessary modifications, and the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a partnership is made in the manner so prescribed in those regulations as if the partnership were a corporation and if its fiscal period were a taxation year, and with the necessary modifications.”

(2) Subsection 1 applies in respect of property acquired by a taxpayer or a partnership after 25 March 1997, other than property acquired by the taxpayer or the partnership pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the taxpayer or the partnership on 25 March 1997.

41. The said Act is amended by inserting, after section 157.15, the following sections :

“157.16. A corporation may, in computing its income for a taxation year, deduct an additional amount equal to half the contribution, otherwise deductible in computing its income from a business, that is made in the year by the corporation to the Réseau d’investissement social du Québec.

“157.17. Where a corporation is a member of a partnership at the end of a particular fiscal period of the partnership during which the partnership made a contribution to the Réseau d’investissement social du Québec, the corporation may, in computing its income for a taxation year in which that fiscal period ends, deduct an amount equal to half the corporation’s share of the contribution, otherwise deductible in computing the income of the partnership from a business.

For the purposes of the first paragraph, the share of a corporation of a contribution made by a partnership of which the corporation is a member is equal to the proportion of the contribution that the share of the corporation of the income or loss of the partnership for the fiscal period of that partnership ending in the taxation year of the corporation 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.”

42. (1) Sections 165.3 and 165.4 of the said Act are replaced by the following :

“165.3. Notwithstanding section 165.2, where none of the corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and all of those corporations have filed with the Minister, in prescribed form, an agreement whereby, for the purposes of this division, they allocate an amount to one or more of them for the taxation year and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, does not exceed \$1,000,000, the base level deduction for each of the corporations for the year is equal to the base level deduction that would be computed under section 165.2 in respect of

the corporation if the reference in that section to an amount of \$1,000,000 were read as a reference to the amount so allocated to it.

“165.4. Where any of the corporations referred to in section 165.3 has failed to file with the Minister an agreement referred to therein within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this division, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall be equal to \$1,000,000 and, in any such case, the amount so allocated to any such corporation is deemed to be an amount allocated to the corporation pursuant to section 165.3.”

(2) Subsection 1 applies from the taxation year 1998.

43. (1) The said Act is amended by inserting, after section 165.4, the following section :

“165.4.1. Notwithstanding section 165.2, where one of the corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and an amount is, pursuant to subsection 2.3 of section 18 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), allocated to one or more such corporations for the year, the base level deduction for the year for each such corporation shall be equal to its base level deduction determined for that year for the purposes of paragraph *f* of subsection 2 of the said section 18.

Where, for a taxation year, a corporation referred to in the first paragraph files an agreement with the Minister of National Revenue in accordance with paragraph 2.3 of section 18 of the Income Tax Act, the corporation shall file with the Minister, for that year, a copy of that agreement.”

(2) Subsection 1 applies from the taxation year 1998.

44. (1) Section 165.5 of the said Act is amended by replacing paragraphs *a* and *b* by the following :

“(a) where a corporation to which section 165.3 or 165.4 applies, in this section referred to as “the first corporation”, has more than one taxation year ending in the same calendar year and is associated in two or more of those taxation years with another corporation that has a taxation year ending in that calendar year, the base level deduction of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its base level deduction for the first such taxation year determined without reference to paragraph *b*; and

“(b) where a corporation to which any of sections 165.2 to 165.4 applies, other than a corporation to which section 165.4.1 applies, has a taxation year that is less than 51 weeks, its base level deduction for the year is equal to that



proportion of its base level deduction for the year, determined without reference to this paragraph, that the number of days in the year is of 365.”

(2) Subsection 1 applies from the taxation year 1998.

45. The heading of Division XII.1 of Chapter III of Title III of Book III of Part I of the said Act is replaced, in the French text, by the following :

“ENTREPRISE EXERCÉE À DOMICILE”.

46. (1) Section 175.5 of the said Act is amended by adding, after the second paragraph, the following paragraph :

“For the purposes of subparagraph ii of subparagraph *a* of the first paragraph, an amount paid or payable by the individual or partnership in respect of the work space in connection with the operation of a lodging establishment that is a tourist home, bed and breakfast establishment or participating establishment in a hospitality village within the meaning of the regulations made under the Tourist Establishments Act (chapter E-15.1), is deemed to be an expenditure relating solely to the work space if the individual or partnership holds a permit of the appropriate subclass to which the lodging establishment belongs, issued under that Act, or is a participant in a hospitality village covered by such a permit.”

(2) Subsection 1 applies to taxation years or fiscal periods that begin after 9 May 1996.

47. (1) The said Act is amended by inserting, after section 234, the following section :

“234.0.1. A taxpayer’s gain for a particular taxation year from a disposition of a non-qualifying security of the taxpayer, as defined in the first paragraph of section 752.0.10.1, that is the making of a gift of the security, other than an excepted gift within the meaning assigned by that paragraph, to a qualified donee, as defined in paragraph *b* of section 985.1, is equal to the amount by which

(*a*) an amount equal to

i. where the disposition occurred in the particular taxation year, the amount by which the taxpayer’s proceeds of disposition exceed the aggregate of the adjusted cost base to the taxpayer of the security immediately before the disposition and any outlays and expenses made or incurred by the taxpayer for the purpose of making the disposition, and

ii. where the disposition occurred in the 60-month period ending at the beginning of the particular taxation year, the amount, if any, deducted under paragraph *b* in computing the taxpayer’s gain for the preceding taxation year from the disposition of the security ; exceeds

(b) the amount that the taxpayer claims in prescribed form filed with the taxpayer's fiscal return for the particular taxation year, where the taxpayer is not deemed under section 752.0.10.16 to have made a gift of 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 from the taxation year 1997.

48. Section 261.7 of the said Act is amended by replacing, in subparagraph i of paragraph e, "a prospectus, preliminary prospectus" by "a final prospectus, preliminary prospectus".

49. (1) Section 312 of the said Act, amended by section 62 of chapter 85 of the statutes of 1997 and by section 107 of chapter 16 of the statutes of 1998, is again amended by inserting, in paragraph g, after the words "prescribed prize", the words "or a prescribed bursary".

(2) Subsection 1 applies in respect of amounts received after 31 December 1992.

50. (1) Section 339 of the said Act is amended by inserting, after paragraph c, the following paragraph :

"(c.1) any amount that is deductible under Title V.1 of Book VII in computing the income of the taxpayer for the year;"

(2) Subsection 1 applies from the taxation year 1998.

51. Section 359 of the said Act, amended by section 118 of chapter 16 of the statutes of 1998, is again amended by striking out paragraph d.

52. Section 462.11 of the said Act is amended by striking out, in the English text of subparagraphs i and iii of paragraph a, the words "a title of".

53. (1) Section 659 of the said Act is replaced by the following :

"659. Where a trust and a preferred beneficiary under the trust for a taxation year of the trust make, in respect of the year, a valid election for the purposes of subsection 14 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the lesser of the amount determined for the purposes of that subsection in respect of the beneficiary in relation to the trust for the year and the allocable amount for the preferred beneficiary in respect of the trust for the year, shall be included in computing the income of the beneficiary for the beneficiary's taxation year in which the taxation year of the trust ended and shall not be included in computing the income of any beneficiary of the trust for a subsequent taxation year."

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

54. (1) The said Act is amended by inserting, after section 659, the following section :

“659.1. Where section 659 applies in respect of a taxation year, the trust and the preferred beneficiary having made, in respect of the year, a valid election under that section shall send to the Minister, on or before the trust’s filing-due date for the year, a copy of every document sent to the Minister of National Revenue in connection with that election.

Where, as a consequence of the operation of subsection 3.2 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the time for making a valid election referred to in section 659 is extended or such an election that was made is amended or revoked, the following rules apply :

(a) the trust and the preferred beneficiary having made the election shall notify the Minister in writing and attach to the notice a copy of every document to that effect sent by the trust and the preferred beneficiary to the Minister of National Revenue ; and

(b) the trust is liable, jointly with the preferred beneficiary, to a penalty equal to \$100 for each complete month in the period beginning on the trust’s filing-due date for the year and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to \$5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the election or the amended or revoked election referred to in the second paragraph.”

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

55. (1) Section 663.1 of the said Act is amended

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

“663.1. Where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust.”;

(2) by adding, after the third paragraph, the following paragraph :

“A trust that designates an amount in respect of a beneficiary, in accordance with the first paragraph, in respect of a taxation year shall notify the Minister in writing on or before its filing-due date for the year.”

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

56. (1) Section 663.2 of the said Act is amended

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

“663.2. Where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.2 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, except in the application of section 663 for the purposes of section 668, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust, and, except for the purposes of section 668 as it applies for the purposes of sections 668.0.1 to 668.2, shall reduce the amount of the taxable capital gain of the beneficiary otherwise included in computing the beneficiary’s income for the year by reason of section 668.”;

(2) by adding, after the third paragraph, the following paragraph :

“A trust that designates an amount in respect of a beneficiary, in accordance with the first paragraph, in respect of a taxation year shall notify the Minister in writing on or before its filing-due date for the year.”

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

57. (1) Section 669.1 of the said Act, amended by section 102 of chapter 85 of the statutes of 1997, is replaced by the following :

“669.1. Where a testamentary trust has, in a taxation year throughout which it was resident in Canada, received a pension benefit or a benefit out of or under a foreign retirement arrangement and has designated, in its fiscal return for the year under this Part, an amount in respect of a beneficiary under the trust equal to such portion, in this section referred to as the “beneficiary’s share”, of the benefit as was designated by the trust exclusively in respect of the beneficiary and as 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, by reason of section 663, was included in computing the income of the beneficiary for a particular taxation year, the beneficiary’s

share of the benefit is deemed, for the purposes of section 752.0.8, to be a payment described in subparagraph i of paragraph *a* of that section that is included in computing the beneficiary's income for the particular taxation year where the benefit is an amount described in that subparagraph i and the beneficiary was the spouse of the settlor of the trust.”

(2) Subsection 1 applies from the taxation year 1998.

58. Section 669.1.1 of the said Act is repealed.

59. (1) Section 693 of the said Act, amended by section 103 of chapter 85 of the statutes of 1997, is again amended by replacing the second paragraph by the following :

“However, the taxpayer shall apply the provisions of this Book in the following order: sections 694.0.1, 694.0.2 and 737.17, Titles V, VI.8, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, V.1.1, VI.3.2, VI.3.2.1, VI.3.2.2, VI.3.2.3, VII, VI.5, VI.5.1 and VI.6 and sections 725.1.2, 737.14 to 737.16.1, 737.18.3, 737.21, 737.22.0.0.3, 737.22.0.3, 737.25 and 737.28.”

(2) Subsection 1 applies from the taxation year 1998.

60. (1) Section 710 of the said Act, amended by section 251 of chapter 16 of the statutes of 1998, is replaced by the following :

“710. Subject to section 711.1, a corporation may deduct in computing its taxable income for a taxation year such of the following amounts as the corporation claims :

(a) subject to section 711, the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the aggregate described in any of paragraphs *b*, *c* and *d*, made by the corporation in the year or in any of the five preceding taxation years, to

- i. a registered charity,
- ii. a prescribed Canadian amateur athletic association,
- iii. a recognized arts organization,
- iv. a housing corporation resident in Canada and exempt from tax under paragraph *b* of section 995,
- v. a municipality in Canada,
- vi. the United Nations or an agency thereof,
- vii. a prescribed foreign university the student body of which ordinarily includes students from Canada,

viii. a foreign charitable organization to which the State or Her Majesty in right of Canada or a province has made a gift in the taxation year of the corporation or in the twelve months preceding that year, or

ix. the State or to Her Majesty in right of Canada or a province ;

(b) the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the aggregate described in paragraph *c* or *d*, made by the corporation to the State or to Her Majesty in right of Canada or a province before 1 April 1998 or pursuant to an obligation in writing entered into on or before 31 March 1998, and in the year or in any of the five preceding taxation years ;

(c) the aggregate of all amounts each of which is the fair market value of a gift the object of which is a property described in section 710.0.1, other than a gift the fair market value of which is included in the aggregate described in paragraph *d*, made by the corporation in the year or in any of the five preceding taxation years to

i. a registered charity whose mission in Québec, at the time of the gift, consists mainly, in the opinion of the Minister of the Environment and Wildlife, in the conservation of the ecological heritage,

ii. a municipality in Québec, or

iii. the State if the gift is made after 31 March 1998; and

(d) the aggregate of all amounts each of which is the fair market value of a gift made by the corporation in the year or in any of the five preceding taxation years to

i. a prescribed institution or public authority in Canada if the object of the gift is a cultural property described in section 232, or

ii. a certified archival centre or an accredited museum, where the object of the gift is a prescribed cultural property.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

61. (1) Section 710.0.1 of the said Act is amended

(1) by replacing, in the portion before paragraph *a*, “paragraphs *c*, *f*, *k* and *l* of section 710 refer” by “paragraph *c* of section 710 refers”;

(2) by replacing, in paragraph *b*, “paragraph *k* or *l*” by “any of subparagraphs *i* to *iii* of paragraph *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

62. (1) The said Act is amended by inserting, after section 710.0.1, the following section :

“710.0.2. For the purposes of paragraph *c* of section 710, the fair market value of a servitude referred to in paragraph *b* of section 710.0.1 is deemed to be equal to the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a consequence of the making of the gift of the servitude.”

(2) Subsection 1 applies in respect of gifts made after 12 May 1994. However, where section 710.0.2 of the said Act, enacted by subsection 1, applies to a taxation year that ends before 1 January 1998, it shall be read as follows :

“710.0.2. For the purposes of paragraphs *k* and *l* of section 710, the fair market value of a servitude referred to in paragraph *b* of section 710.0.1 is deemed to be equal to the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a consequence of the making of the gift of the servitude.”

63. (1) Section 710.1 of the said Act, replaced by section 105 of chapter 85 of the statutes of 1997, is amended by replacing “paragraph *b*” by “subparagraph *i* of paragraph *d*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

64. (1) Section 711 of the said Act is replaced by the following :

“711. The deduction allowed by paragraph *a* of section 710 shall not exceed the lesser of the corporation’s income for the year and the amount determined by the formula

$$0.75 \times A + 0.25 \times (B + C + D).$$

In the formula provided for in the first paragraph,

(*a*) *A* is the corporation’s income for the year computed before any deduction under section 800;

(*b*) *B* is the aggregate of all amounts each of which is a taxable capital gain of the corporation for the year from a disposition that is the making of a gift of a property related to the mission of the donee, made by the corporation in the year and described in paragraph *a* of section 710;

(*c*) *C* is the aggregate of all amounts each of which is a taxable capital gain of the corporation for the year, because of the application of section 234.0.1, from a disposition of a property related to the mission of the donee in a preceding taxation year; and

(*d*) D is the aggregate of all amounts each of which is determined in respect of the corporation's depreciable property of a prescribed class and equal to the lesser of

i. the amount included under section 94 in respect of the class in computing the corporation's income for the year, and

ii. the aggregate of all amounts each of which is determined in respect of a disposition that is the making of a gift of a property of the class that is a property related to the mission of the donee, made by the corporation in the year and described in paragraph *a* of section 710, and equal to the lesser of the proceeds of disposition of the property minus any outlays and expenses made or incurred by the corporation for the purpose of making the disposition, and the capital cost to the corporation of the property.

For the purposes of subparagraphs *b* to *d* of the second paragraph, a property is related to the mission of the donee if the donee has acquired the property in connection with its primary mission and can use the property without being required to sell it."

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

65. (1) The said Act is amended by inserting, after section 711, the following section:

"711.1. For the purpose of determining the amount deductible under section 710 in computing the taxable income of a corporation for a taxation year, the following rules apply:

(*a*) an amount relating to a gift is deductible only to the extent that it exceeds amounts in respect of the gift deducted in computing the corporation's taxable income for preceding taxation years; and

(*b*) no amount in respect of a gift made in a particular taxation year is deductible under any of paragraphs *a* to *d* of section 710 until amounts deductible under that paragraph in respect of gifts made in taxation years preceding the particular year have been deducted."

(2) Subsection 1 applies to taxation years that begin after 31 December 1996. However, where section 711.1 of the said Act, enacted by subsection 1, applies to a taxation year ending before 1 January 1998, it shall be read as follows:

"711.1. For the purposes of section 710, no amount in respect of a gift made in a particular taxation year is deductible until amounts deductible under that section in respect of gifts made in taxation years preceding the particular year have been deducted."



66. (1) Section 712.0.2 of the said Act is amended by replacing “paragraphs *k* and *l*” by “paragraph *c*” and “paragraph *k*” by “subparagraph i of paragraph *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

67. (1) Section 714.1 of the said Act is amended by replacing, in the first paragraph, “paragraphs *c*, *d*, *e* and *g* to *l*” by “subparagraphs i, ii, iv and vi to viii of paragraph *a*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

68. (1) Section 716 of the said Act is amended by replacing “contemplated in paragraphs *a* or *c* to *l*” by “referred to in any of paragraphs *a* to *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

69. (1) The said Act is amended by inserting, after section 716.0.1, the following sections:

“716.0.2. The definitions of “excepted gift” and “non-qualifying security” in the first paragraph of section 752.0.10.1, the second paragraph of that section and sections 752.0.10.16 to 752.0.10.18 apply in respect of a corporation as if the references therein to “an individual” were read as references to “a corporation”, as if the reference therein to “752.0.10.12” were read as a reference to “716” and as if a non-qualifying security of a corporation included a share, other than a share listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, of the capital stock of the corporation.

“716.0.3. If, but for this section, a corporation, other than a corporation that was a predecessor corporation in an amalgamation to which section 544 applied or a corporation that was wound up in a winding-up to which Chapter VII of Title IX of Book III applied, would be deemed under section 752.0.10.16 to have made a gift after the corporation ceased to exist, for the purposes of this Title, the corporation is deemed to have made the gift in its last taxation year.

Any amount of interest payable under this Part must be determined as if the presumption provided in the first paragraph did not apply.”

(2) Subsection 1 has effect from 1 August 1997.

70. (1) Section 725 of the said Act, amended by section 107 of chapter 85 of the statutes of 1997, is again amended by inserting, after paragraph *c*, the following paragraph:

“(c.1) an amount received by the individual from the Minister of Education as a postdoctoral research fellowship under the Fellowship for Excellence Program, that is awarded according to the standards provided in Schedule V to

decision 191649 of the Conseil du trésor dated 31 March 1998, and included as such under paragraph *g* or *h* of section 312;”.

(2) Subsection 1 applies from the taxation year 1998.

71. (1) Section 725.0.1 of the said Act, enacted by section 108 of chapter 85 of the statutes of 1997, is amended by inserting the following definitions in alphabetical order:

““band” means

(*a*) a band within the meaning of subsection 1 of section 2 of the Indian Act (Revised Statutes of Canada, 1985, chapter I-5);

(*b*) a band within the meaning of subsection 1 of section 2 of the Cree-Naskapi (of Quebec) Act (Statutes of Canada, 1984, chapter 18);

(*c*) a designated corporation within the meaning of section 2 of the Indians and Bands on certain Indian Settlements Remission Order made by Order in Council P.C. 1992-1052 dated 14 May 1992, as amended by Order in Council P.C. 1994-2096 dated 14 December 1994, under the Financial Administration Act (Revised Statutes of Canada, 1985, chapter F-11); or

(*d*) a Band within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act (Statutes of Canada, 1986, chapter 27);

““council of the band” means

(*a*) in the case of a band referred to in paragraph *a* of the definition of “band”, a council of the band within the meaning of subsection 1 of section 2 of the Indian Act;

(*b*) in the case of a band referred to in paragraph *b* of the definition of “band”, a council within the meaning of subsection 1 of section 2 of the Cree-Naskapi (of Quebec) Act; or

(*c*) in the case of a Band referred to in paragraph *d* of the definition of “band”, a Council within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act;”.

(2) Subsection 1 applies from the taxation year 1997.

72. (1) Section 725.0.2 of the said Act, enacted by section 108 of chapter 85 of the statutes of 1997, is amended by replacing subparagraphs *a* and *b* of the second paragraph by the following:

“(a) a band that owns a reserve;

“(b) a council of the band representing one or more bands referred to in subparagraph *a*; or”.

(2) Subsection 1 applies from the taxation year 1997.

73. (1) Section 725.6 of the said Act is amended by replacing the portion before paragraph *a* by the following :

“725.6. Subject to paragraph *f* of section 737.18, paragraph *d* of section 737.22 and paragraph *e* of sections 737.22.0.4 and 737.22.0.0.4, an individual who has, by virtue of sections 487.1 to 487.6, included an amount in computing the individual’s income for the year in respect of a benefit received by the individual in respect of a home relocation loan, may deduct an amount equal to the least of”.

(2) Subsection 1 applies from the taxation year 1997. However, where the portion of section 725.6 of the said Act before paragraph *a*, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference to “sections 737.22.0.4 and 737.22.0.0.4” were a reference to “section 737.22.0.4”.

74. Section 726.4.13 of the said Act is amended by replacing, in the English text, the words “incurred before a particular time” by the words “incurred before any time”.

75. (1) The said Act is amended by inserting, after section 726.4.17.17, the following :

### **“TITLE VI.3.2.3**

#### **“ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN EXPLORATION EXPENSES INCURRED IN THE NEAR NORTH AND FAR NORTH OF QUÉBEC**

“726.4.17.18. In this Title,

“northern exploration zone” means a territory situated in Québec, which comprises

(a) the territory between 50°30' north latitude and 54°00' north latitude and bounded on the east by the Grenville Front ;

(b) the portion of the territory of the Lower North Shore situated between Baie-Johan-Beetz and the Petit Mécatina river ; and

(c) the territory situated north of 54°00' north latitude ;

“qualified corporation” means a corporation all of the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses in respect of which an amount is renounced under section 359.2 or 359.2.1 are incurred, and throughout the 12-month period preceding that time, fulfills the following conditions :

(a) the corporation does not operate any mineral resource or oil or gas well;

(b) the corporation neither controls another corporation that operates a mineral resource or an oil or gas well nor is so controlled by such a corporation;

“qualified partnership” means a partnership all the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses referred to in paragraph *d* of section 395 are incurred and, throughout the 12-month period preceding that time, fulfills the following conditions:

(a) neither the partnership nor any of its members operates a mineral resource or an oil or gas well;

(b) none of its members is a corporation that controls a corporation operating a mineral resource or an oil or gas well or is so controlled by such a corporation.

“726.4.17.19. A corporation may deduct, in computing its taxable income for a taxation year, an amount not exceeding its exploration base relating to certain exploration expenses incurred in a northern exploration zone at the end of the year, computed before any deduction for the year under this section.

“726.4.17.20. In this Title, the exploration base relating to certain exploration expenses incurred in a northern exploration zone of a corporation, at any time, means an amount equal to the amount by which the amount computed under section 726.4.17.21 is exceeded by 25% of the amount by which

(a) the aggregate of the expenses, except those described in section 726.4.17.22, incurred by the corporation in a northern exploration zone after 31 March 1998 and before that time, and that are

i. Canadian exploration expenses that would be described in paragraph *a*, *b.1* or *c* of section 395 if the reference in those paragraphs to “Canada”, wherever it appears except in subparagraph iv of that paragraph *b.1*, were a reference to “the northern exploration zone”, or described in paragraph *d* of that section 395 if the reference therein to “expenses described in paragraphs *a* to *b.1* and *c* to *c.2*” were replaced by a reference to “expenses that would be described in paragraph *a*, *b.1* or *c*, if the reference in those paragraphs to “Canada”, wherever it appears except in subparagraph iv of paragraph *b.1*, were a reference to “the northern exploration zone””, or

ii. Canadian development expenses that would be described in paragraph *a* or *a.1* of section 408 if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “the northern exploration zone”, or described in paragraph *d* of that section 408 if the reference therein to “expense described in paragraphs *a* to *c*” were replaced by a reference to

“expense that would be described in paragraph *a* or *a.1*, if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “the northern exploration zone””, and that are deemed, under paragraph *a* of section 359.3, to be Canadian exploration expenses of the corporation by reason of a renunciation to the corporation under section 359.2.1 ; exceeds

(*b*) the aggregate of all amounts of assistance, within the meaning of paragraph *c.0.1* of section 359, that a person, including a partnership, has received, is entitled to receive or becomes, at any time, entitled to receive in respect of an expense referred to in paragraph *a*, to the extent that the assistance has not reduced, by reason of subparagraph *a* of the first paragraph of section 359.2, the Canadian exploration expenses of the corporation or, by reason of paragraph *a* of section 359.2.1, the Canadian development expenses deemed to be Canadian exploration expenses of the corporation.

“726.4.17.21. The amount to which section 726.4.17.20 refers is equal, at any time referred to therein, to the aggregate of

(*a*) any amount deducted by the corporation under section 726.4.17.19 in computing its taxable income for a taxation year ending before that time, and

(*b*) 25% of each amount that became receivable by the corporation before that time but after 31 March 1998 and in respect of which the consideration given by the corporation was a property, other than a property disposed of by the corporation to any person with whom the corporation was not dealing at arm’s length, a share, depreciable property of a prescribed class or a Canadian resource property, or services, the cost of which may reasonably be regarded as having been an expenditure in respect of which an amount was included, under section 726.4.17.20, in computing the exploration base relating to certain exploration expenses of the corporation or of a person with whom the corporation was not dealing at arm’s length, incurred in a northern exploration zone.

“726.4.17.22. The expenses to which paragraph *a* of section 726.4.17.20 refers are

(*a*) any amount included in the Canadian exploration and development overhead expenses of the corporation, within the meaning of the regulations ;

(*b*) any amount relating to Canadian exploration expenses or Canadian development expenses that is renounced by a corporation that is not a qualified corporation, effective after 31 March 1998, under section 359.2 or 359.2.1, as the case may be, in respect of a share ;

(*c*) any amount relating to financing, including expenses incurred before the beginning of the carrying on of a business ;

(*d*) expenses that are Canadian exploration expenses of the corporation under paragraph *d* of section 395, to the extent that they refer to expenses

incurred, after 31 March 1998 and before the time referred to in section 726.4.17.20, by a partnership that is not a qualified partnership; and

(e) any prescribed expense.

“726.4.17.23. Where an expense incurred before any time is included in the aggregate determined under paragraph *a* of section 726.4.17.20 in respect of a corporation and, after that time, a person, including a partnership, becomes entitled to receive assistance, within the meaning of paragraph *c.0.1* of section 359, in respect of that expense, the assistance shall be included in the aggregate referred to in paragraph *b* of that section 726.4.17.20 in respect of the corporation at the time the expense was incurred, to the extent that it has not reduced the amount of the expense by reason of subparagraph *a* of the first paragraph of section 359.2 or paragraph *a* of section 359.2.1.

“726.4.17.24. For the purposes of this Title, the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities.

“726.4.17.25. For the purposes of this Title, where a member of a partnership is deemed to have incurred Canadian exploration expenses under paragraph *d* of section 395, the expenses are deemed to have been incurred by the member at the time they were incurred by the partnership.”

(2) Subsection 1 applies in respect of exploration expenses incurred after 31 March 1998.

76. (1) Section 726.22 of the said Act, amended by section 111 of chapter 85 of the statutes of 1997, is again amended, in the first paragraph,

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

“726.22. Subject to paragraph *f* of section 737.22 and paragraph *h* of sections 737.22.0.4 and 737.22.0.0.4, the amounts to which section 726.21 refers are the following:”;

(2) by replacing, in the English text of subparagraph 2 of subparagraph ii of subparagraph *b*, “this paragraph” by “this subparagraph *b*”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1997. However, where the portion of the first paragraph of section 726.22 of the said Act before subparagraph *a*, enacted by that paragraph 1, applies to the taxation year 1997, it shall be read as if the reference therein to “sections 737.22.0.4 and 737.22.0.0.4” were a reference to “section 737.22.0.4”.

77. (1) The said Act is amended by inserting, after section 733.0.1, the following section :

“733.0.2. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss or limited partnership loss for a taxation year of a corporation that is, for that year, a qualified corporation within the meaning of the first paragraph of section 1029.8.36.89, the following rules apply :

(a) the amount determined under subparagraph *a* of the first paragraph of section 737.18.3 in respect of the qualified corporation for the year is deemed to be nil ;

(b) the amount determined under subparagraph *b* of the first paragraph of section 737.18.3 in respect of the qualified corporation for the year is, up to the amount that would, but for paragraph *a*, be determined under subparagraph *a* of the first paragraph of that section 737.18.3 in respect of the qualified corporation for the year, deemed to be nil.”

(2) Subsection 1 applies from the taxation year 1998.

78. (1) The said Act is amended by inserting, after section 737.18, the following :

## **“TITLE VII.2.1**

### **“DEDUCTION IN RESPECT OF A QUALIFIED INVESTMENT FUND**

#### **“CHAPTER I**

##### **“INTERPRETATION AND GENERAL**

“737.18.1. In this Title,

“exemption period” applicable to a qualified corporation in respect of a qualified investment fund of the qualified corporation means the period of five years that begins on the reference date applicable to the qualified investment fund ;

“qualification certificate” has the meaning assigned by the first paragraph of section 1029.8.36.89 ;

“qualified corporation” has the meaning assigned by the first paragraph of section 1029.8.36.89 ;

“qualified investment fund” has the meaning assigned by the first paragraph of section 1029.8.36.89 ;

“reference date” has the meaning assigned by the first paragraph of section 1029.8.36.89 ;

“temporary certificate” has the meaning assigned by the first paragraph of section 1029.8.36.89.

“737.18.2. For the purpose of determining, for the purposes of this Title, the income or loss of a qualified corporation for a taxation year from its activities relating to the administration and management of a qualified investment fund of the qualified corporation, the following rules apply :

(a) the income or loss, as the case may be, shall be computed as if the activities constituted the carrying on, by the qualified corporation, of a separate business ;

(b) the income or loss of the qualified corporation for the year from the operations of an international financial centre is deemed to be nil.

## **“CHAPTER II**

### **“DEDUCTION**

“737.18.3. Subject to the third paragraph, a qualified corporation may, in computing its taxable income for a taxation year, deduct an amount that does not exceed the amount by which

(a) the aggregate of all amounts each of which is the amount obtained by multiplying the income of the qualified corporation for the year from its activities relating to the administration and management of a qualified investment fund of the qualified corporation in respect of which the conditions mentioned in the second paragraph are met, by the proportion that the number of days in the year comprised in the exemption period applicable to the qualified corporation in respect of that fund is of the number of days in the year during which it administers and manages that fund ; exceeds

(b) the aggregate of all amount each of which is the amount obtained by multiplying the loss of the qualified corporation for the year from its activities relating to the administration and management of a qualified investment fund of the qualified corporation in respect of which the conditions mentioned in the second paragraph are met, by the proportion that the number of days in the year comprised in the exemption period applicable to the qualified corporation in respect of that fund is of the number of days in the year during which it administers and manages that fund.

The conditions to which subparagraph *a* or *b*, as the case may be, of the first paragraph refers in respect of a qualified investment fund of the qualified corporation are as follows :

(a) a qualification certificate, the date of which is not after the filing-due date of the qualified corporation for the year, has been issued to the qualified corporation in respect of that fund or, where the date is after the filing-due date of the qualified corporation for the year, a temporary certificate, the date of which is not after that filing-due date, has been issued to the qualified corporation in respect of that fund ;



(b) the taxation year of the qualified corporation is comprised, in whole or in part, in the exemption period applicable to the qualified corporation in respect of that fund.

A qualified corporation may not deduct an amount in computing its taxable income for a taxation year under the first paragraph unless it encloses with its fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information and, in relation to each qualified investment fund of the qualified corporation that is referred to for the year in subparagraph *a* or *b* of the first paragraph, a copy of the valid qualification certificate or valid temporary certificate, as the case may be, mentioned in subparagraph *a* of the second paragraph in respect of that fund and a copy of the valid certificate issued to the qualified corporation by the Minister of Finance for the year in respect of that fund.

### **“CHAPTER III**

#### **“ADMINISTRATION**

“737.18.4. Where the Minister of Finance revokes a qualification certificate or a temporary certificate issued by the Minister of Finance to a qualified corporation in respect of a qualified investment fund of the qualified corporation, or a certificate issued by the Minister of Finance for a taxation year to a qualified corporation in respect of such a fund, and where that revocation occurs at a particular time within eight years or, where the corporation is not a Canadian-controlled private corporation, nine years after the reference date in respect of the fund, the following rules apply :

(a) every certificate issued by the Minister of Finance to the qualified corporation in respect of that fund for a taxation year, and every qualification certificate or temporary certificate issued by the Minister of Finance to the qualified corporation in respect of that fund are, for the purposes of this Title, null and void from the time they were issued ;

(b) the corporation shall, for any taxation year that ends before the particular time, where the corporation has filed a fiscal return under section 1000 for that preceding year and the taxable income of the corporation as determined for that preceding year differs from the amount that would have been its taxable income for that preceding year if, in respect of the qualified investment fund, no qualification certificate or temporary certificate had been issued to the corporation, file with the Minister, on or before its filing-due date for the taxation year that includes the particular time, an amended fiscal return in which the corporation shall take into account the tax consequences of the revocation in respect of an amount relating to that preceding year.

Notwithstanding the expiration of the time limits provided for in section 1010,

(a) the Minister may, within one year after the filing-due date referred to in subparagraph *b* of the first paragraph, but for the amended fiscal return that the corporation is required to file under that subparagraph *b*, redetermine the tax, interest and penalties payable under this Part by the corporation for any taxation year for which the revocation referred to in the first paragraph entails tax consequences under this Part; and

(b) the Minister may also redetermine the tax, interest and penalties payable under this Part and make a reassessment or an additional assessment, as the case may be,

i. within three years after the later of the day of mailing, pursuant to subparagraph *a*, of a notice of assessment for a taxation year or of a notification that no tax is payable for a taxation year and the day on which an amended fiscal return for the taxation year is filed pursuant to subparagraph *b* of the first paragraph, or

ii. within four years after the day referred to in subparagraph i if, at the end of the taxation year concerned, the corporation is not a Canadian-controlled private corporation.

However, the Minister may, in respect of a taxation year for which the revocation referred to in the first paragraph entails tax consequences under this Part, make an assessment, a reassessment or an additional assessment beyond the periods referred to in paragraph *a* or *a.0.1* of subsection 2 of section 1010 only to the extent that the assessment, reassessment or additional assessment may reasonably be considered to relate to a tax consequence referred to in subparagraph *b* of the first paragraph.

“737.18.5. For the purposes of section 737.18.4, where a temporary certificate issued to a qualified corporation in respect of a qualified investment fund of the qualified corporation is not replaced by a qualification certificate, on or before the filing-due date of the qualified corporation for the taxation year of the qualified corporation that includes the last day of the three-year period that begins on the reference date applicable to that fund, that temporary certificate is deemed to be revoked by the Minister of Finance in that taxation year.”

(2) Subsection 1 applies from the taxation year 1998.

79. Section 737.19 of the said Act is amended by replacing, in the portion of paragraph *a* before subparagraph i, the words “from the Conseil de la science et de la technologie” by the words “issued by the Minister of Industry, Trade, Science and Technology”.

80. Section 737.22 of the said Act, amended by section 115 of chapter 85 of the statutes of 1997, is again amended, in the English text, by replacing, in subparagraph 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22 of the Act, enacted by paragraph *f* of that section 737.22, “this paragraph” by “this subparagraph *b*”.

81. (1) The said Act is amended by inserting, after section 737.22, the following :

**“TITLE VII.3.0.1**

**“DEDUCTION IN RESPECT OF A FOREIGN RESEARCHER ON A POST-DOCTORAL INTERNSHIP**

**“CHAPTER I**

**“DEFINITIONS**

“737.22.0.0.1. In this Title,

“eligible employer” means an eligible public research centre within the meaning of paragraph *a.1* of section 1029.8.1 or an eligible university entity within the meaning of paragraph *f* of that section ;

“eligible income” of a foreign researcher on a post-doctoral internship for a taxation year means the aggregate of all amounts paid to the researcher as wages in the year by the researcher’s eligible employer and that may reasonably be considered to be attributable to the researcher’s research activity period ;

“foreign researcher on a post-doctoral internship” means an individual who, at a particular time after 31 March 1998, takes up employment, as an employee, with an eligible employer pursuant to an employment contract entered into after 31 March 1998 with the eligible employer, in respect of whom the eligible employer obtained, not later than 30 days after the later of the date the employment contract was entered into and the individual’s employment starting date, a certificate issued by the Minister of Education, that has not been revoked, certifying that the individual is specialized in the field of pure or applied science or a related field and holds a doctoral degree in such a field, and who

(a) is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer,

(b) from the particular time and without interruption, works exclusively or almost exclusively as an employee of the eligible employer, and

(c) performs duties as an employee of the eligible employer that consist exclusively or almost exclusively in performing scientific research and experimental development ;

“research activity period” of a foreign researcher on a post-doctoral internship means the period beginning on the day when, for the first time after 31 March 1998, the foreign researcher takes up employment, as an employee, with an eligible employer and ending on the earlier of

(a) the day on which the foreign researcher ceases to satisfy a condition set out in paragraph *b* or *c* of the definition of “foreign researcher on a post-doctoral internship”, and

(b) the seven hundred and thirty-first day following the foreign researcher’s employment starting date ;

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

“737.22.0.0.2. For the purposes of this Title, any employment contract referred to in the definition of “foreign researcher on a post-doctoral internship” in section 737.22.0.0.1 that is renewed is deemed not to be a separate employment contract.

The same rule applies where a new employment contract is entered into with another eligible employer, in which case that other eligible employer is deemed not to be other than the eligible employer who entered into the employment contract referred to in the definition of “foreign researcher on a post-doctoral internship” in section 737.22.0.0.1.

## **“CHAPTER II**

### **“DEDUCTION**

“737.22.0.0.3. A foreign researcher on a post-doctoral internship may deduct, in computing the foreign researcher’s taxable income for a taxation year, any amount not greater than the amount by which the foreign researcher’s eligible income for the year as attested in prescribed manner by the eligible employer exceeds the aggregate of the amounts deductible by the foreign researcher in computing the foreign researcher’s income for the year under Chapter III of Title II of Book III and which may reasonably be considered to be attributable to the foreign researcher’s employment as a foreign researcher on a post-doctoral internship during the research activity period.

## **“CHAPTER III**

### **“COMPUTATION OF TAXABLE INCOME**

“737.22.0.0.4. For the purpose of computing the taxable income of a foreign researcher on a post-doctoral internship referred to in section 737.22.0.0.3 for a taxation year, the following rules apply :

(a) where the foreign researcher has included in computing the foreign researcher’s income for the year an amount representing the benefit the foreign researcher is deemed to receive in the year under any of sections 49 and 50 to 52, in respect of the share or the transfer or other disposition of the rights under the agreement and the amount of the benefit is included in the

foreign researcher's eligible income for the year, the amount of the benefit is, for the purpose of computing the deduction provided in section 725.2, deemed to be nil;

(b) where the foreign researcher has included in computing the foreign researcher's income for the year an amount representing the benefit the foreign researcher is deemed to receive under section 49 by virtue of section 49.2 in respect of a share acquired by the foreign researcher after 22 May 1985 and the amount of the benefit is included in the foreign researcher's eligible income for the year, the amount of the benefit is, for the purpose of computing the deduction provided in section 725.3, deemed to be nil;

(c) where the foreign researcher has included in computing the foreign researcher's income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the foreign researcher's eligible income for the year, the amount is, for the purpose of computing the deduction provided in either of those paragraphs, deemed to be nil;

(d) where the foreign researcher has included in computing the foreign researcher's income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the foreign researcher's eligible income for the year, the amount is, for the purpose of computing the deduction provided in the first paragraph of that section, deemed to be nil;

(e) paragraph *a*, the portion of paragraph *b* before subparagraph *i* and paragraph *c* of section 725.6 shall be read as follows:

“(a) such part of the benefit that would be deemed to have been received in the year by the individual under sections 487.1 to 487.6 if those sections had applied only in respect of the home relocation loan as may reasonably be attributed to the part of the year that is not included in the individual's research activity period within the meaning of section 737.22.0.0.1.”;

“(b) the amount of interest for that part of the year, not included in the individual's research activity period within the meaning of section 737.22.0.0.1, that would be computed at the prescribed rate referred to in section 487.2 in respect of the home relocation loan of the individual if that loan were in the amount of \$25,000 and were extinguished on the earlier of”;

“(c) such part of the amount of the benefit that the individual is deemed to have received in the year under sections 487.1 to 487.6 in respect of the loan as may reasonably be considered as having been received in the part of the year not included in the individual's research activity period within the meaning of section 737.22.0.0.1.”;

(f) where the foreign researcher has included in computing the foreign researcher's income for the year an amount received by the foreign researcher under a registered gain-sharing plan that is part of a quality approach, within

the meaning of section 725.8, of a corporation and the amount is included in the foreign researcher's eligible income for the year, the amount is, for the purpose of computing the deduction provided in section 725.9, deemed to be nil;

(g) where the foreign researcher has included in computing the foreign researcher's income for the year an amount received, or the value of a benefit received or enjoyed by the foreign researcher and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the foreign researcher's eligible income for the year, the amount or value, as the case may be, is, for the purpose of computing the deduction provided in section 726.21, deemed to be nil; and

(h) subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22 shall be read as follows:

“(1) \$7.50 multiplied by the number of days in the year included in the qualifying period in which the taxpayer resided in the particular area, except any day included in the taxpayer's research activity period within the meaning of section 737.22.0.0.1;”;

“(2) \$7.50 multiplied by the number of days in the year included in that portion of the qualifying period throughout which the taxpayer maintained and resided in a self-contained domestic establishment in the particular area, except any day included in the taxpayer's research activity period within the meaning of section 737.22.0.0.1 or included in computing an amount deducted under this subparagraph *b* by another person who resided on that day in that establishment.”.

(2) Subsection 1 applies from the taxation year 1998.

82. The heading of Chapter I.0.1 of Title I of Book V of Part I of the said Act is replaced, in the English Text, by the following:

“PERSONAL TAX CREDITS”.

83. (1) Section 752.0.1 of the said Act, amended by section 119 of chapter 85 of the statutes of 1997, is again amended

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

“iii. who, during the year, ordinarily lives with the individual or is deemed to ordinarily live with the individual under section 752.0.5.1;”;

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

“(e) \$1,300 for a person in respect of whom the individual is entitled to a deduction under paragraph *b*, if, where the rules in Book V.2.1 do not apply to the individual for the year, the individual is not entitled to the deduction under

paragraph *a* and, where the rules in Book V.2.1 apply to the individual for the year, the individual would not be entitled to the deduction under paragraph *a* but for that Book and if, during the year, the individual”;

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

“iii. who, during the year, ordinarily lives with the individual or is deemed to ordinarily live with the individual under section 752.0.5.1 ;”.

(2) Subsection 1 applies from the taxation year 1998.

84. (1) The said Act is amended by inserting, after section 752.0.5, the following section :

“752.0.5.1. For the purposes of subparagraph iii of paragraph *b* or *f* of section 752.0.1, a person who, during a year, does not ordinarily live with the individual on whom the person is dependent by reason of mental or physical infirmity, is deemed to ordinarily live with that individual during that year, except if the person has not been resident in Canada at any time in the year where the person is not the child or grandchild of the individual.”

(2) Subsection 1 applies from the taxation year 1998.

85. (1) Section 752.0.7.4 of the said Act, enacted by section 123 of chapter 85 of the statutes of 1997, is amended

(1) by replacing subparagraphs ii and iii of paragraph *a* by the following :

“ii. the lesser of \$1,000 and the amount referred to in section 752.0.8 in respect of the individual for the year ;

“iii. where the individual has attained the age of 65 years before the end of the year, \$2,200 ;” ;

(2) by replacing subparagraphs ii and iii of paragraph *b* by the following :

“ii. the lesser of \$1,000 and the amount referred to in section 752.0.8 in respect of the eligible spouse for the year ;

“iii. where the eligible spouse has attained the age of 65 years before the end of the year, \$2,200.”

(2) Subsection 1 applies from the taxation year 1998.

86. (1) Section 752.0.9 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

87. (1) Section 752.0.10 of the said Act is amended by replacing the portion before paragraph *a* by the following :

“752.0.10. For the purposes of this chapter, the amounts described in section 752.0.8 do not include any amount that is”.

(2) Subsection 1 applies from the taxation year 1998.

88. (1) Section 752.0.10.1 of the said Act, amended by section 251 of chapter 16 of the statutes of 1998, is again amended

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

““excepted gift” of an individual means the gift of a share made by the individual if

(a) the donee is not a private foundation;

(b) the individual deals at arm’s length with the donee; and

(c) where the donee is a charitable organization or a public foundation, the individual deals at arms’s length with each director, trustee, officer and like official of the donee;

““non-qualifying security” of an individual at any time means

(a) an obligation, other than an obligation of a financial institution described in the second paragraph to repay an amount deposited with the institution or an obligation listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, of the individual or the individual’s succession or of any person or partnership with whom or with which the individual or the succession does not deal at arm’s length immediately after that time;

(b) a share, other than a share listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, of the capital stock of a corporation with which the individual or the succession does not deal at arm’s length immediately after that time; or

(c) any other security, other than a security listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, issued or contracted by the individual or the succession or by any person or partnership with whom or with which the individual or the succession does not deal at arm’s length immediately after that time;

““qualified total charitable gifts” of an individual for a taxation year means

(a) where the individual dies in the year or the subsequent taxation year, the lesser of the individual’s income for the year computed with reference to the rules in Title II of Book V.2.1 and the total charitable gifts of the individual for the year; and

(b) in any other case, the least of the individual’s income for the year computed with reference to the rules in Title II of Book V.2.1, the total



charitable gifts of the individual for the year and the amount determined by the formula

$$0.75 \times A + 0.25 \times (B + C + D - E);$$

(2) by replacing the definition of “total Crown gifts” by the following :

““total Crown gifts” of an individual for a taxation year means the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the total cultural gifts of the individual for the year, made by the individual before 1 April 1998 or pursuant to an obligation in writing entered into on or before 31 March 1998, in the year or in any of the five preceding taxation years to the State or to Her Majesty in right of Canada or a province, if the conditions set out in section 752.0.10.2 are met in respect of that amount;”;

(3) by replacing, in the definition of “total charitable gifts”, the portion 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 fair market value of a gift, other than a gift the fair market value of which is included in the total Crown gifts, the total gifts of qualified property or the total cultural 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”;

(4) by adding, after paragraph *h* of the definition of “total charitable gifts”, the following paragraph :

“(i) the State or to Her Majesty in right of Canada or a province;”;

(5) by replacing, in the definition of “total gifts of qualified property”, the portion 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 fair market value of a gift, other than a gift the fair market value of which is included in the total Crown gifts or the total cultural 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”;

(6) by replacing paragraph *b* of the definition of “total gifts of qualified property” by the following :

“(b) the State or to a municipality in Québec, if the object of the gift is qualified property.”;

(7) by adding the following paragraphs :

“For the purposes of paragraph *a* of the definition of “non-qualifying security” in the first paragraph, “financial institution” means a corporation that is

(*a*) a member of the Canadian Payments Association; or

(*b*) a savings and credit union that is a member or shareholder of a body corporate, in this Act referred to as a corporation, or organization that is a central for the purposes of the Canadian Payments Association Act (Revised Statutes of Canada, 1985, chapter C-21).

“In the formula provided for in paragraph *b* of the definition of “qualified total charitable gifts” in the first paragraph,

(*a*) A is the individual’s income for the year computed with reference to the rules in Title II of Book V.2.1;

(*b*) B is the aggregate of all amounts each of which is a taxable capital gain of the individual for the year from a disposition that is the making of a gift of a property related to the mission of the donee made by the individual in the year and included in the total charitable gifts of the individual for the year;

(*c*) C is the aggregate of all amounts each of which is a taxable capital gain of the individual for the year, because of the application of section 234.0.1, from a disposition of a property related to the mission of the donee in a preceding taxation year;

(*d*) D is the aggregate of all amounts each of which is determined in respect of the individual’s depreciable property of a prescribed class and equal to the lesser of

i. the amount included under section 94 in respect of the class in computing the individual’s income for the year, and

ii. the aggregate of all amounts determined in respect of a disposition that is the making of a gift of a property of the class that is a property related to the mission of the donee, made by the individual in the year and included in the total charitable gifts of the individual for the year, each of which is equal to the lesser of the proceeds of disposition of the property minus any outlays made or expenses incurred by the individual for the purpose of making the disposition, and the capital cost to the individual of the property; and

(*e*) E is the aggregate of all amounts each of which is the portion of an amount deducted under Title VI.5 of Book IV in computing the individual’s taxable income for the year that may reasonably be considered to relate to a gift referred to in paragraph *b* or *c*.

“For the purposes of subparagraphs *b* to *d* of the third paragraph, a property is related to the mission of the donee if the donee has acquired the property in

connection with its primary mission and can use the property without being required to sell it.”

(2) Paragraph 1 of subsection 1, where it enacts the definition of “excepted gift” in the first paragraph of section 752.0.10.1 of the said Act, applies in respect of gifts made after 31 July 1997.

(3) Paragraph 1 of subsection 1, where it enacts the definition of “non-qualifying security” in the first paragraph of section 752.0.10.1 of the said Act, and paragraph 7 of that subsection 1, where it enacts the second paragraph of that section 752.0.10.1, have effect from 1 August 1997.

(4) Paragraph 1 of subsection 1, where it enacts the definition of “qualified total charitable gifts” in the first paragraph of section 752.0.10.1 of the said Act, applies to taxation years that begin after 31 December 1997. In addition, paragraph 1 of subsection 1, where it enacts that definition, applies to the taxation year 1997 where an individual dies in the year 1998 and paragraph *a* of that definition shall be read without reference to “computed with reference to the rules in Title II of Book V.2.1”.

(5) Paragraphs 2 to 5 of subsection 1 and paragraph 7 of that subsection 1, where it enacts the third and fourth paragraphs of section 752.0.10.1 of the said Act, apply to taxation years that begin after 31 December 1997.

(6) Paragraph 6 of subsection 1 applies in respect of gifts made after 31 March 1998.

89. (1) The said Act is amended by inserting, after section 752.0.10.3.1, the following section :

“752.0.10.3.2. For the purposes of the definition of “total gifts of qualified property” in the first paragraph of section 752.0.10.1, the fair market value of a servitude referred to in paragraph *b* of the definition of “qualified property” in that first paragraph is deemed to be the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a result of the making of the gift of the servitude.”

(2) Subsection 1 applies in respect of gifts made after 12 May 1994.

90. (1) The said Act is amended by inserting, after section 752.0.10.5, the following section :

“752.0.10.5.1. For the purpose of determining the total Crown gifts, total charitable gifts, total gifts of qualified property and total cultural gifts, no amount in respect of a gift described in any of the definitions of those expressions in the first paragraph of section 752.0.10.1 and made in a particular taxation year by an individual shall be taken into account in determining an amount that is deducted under section 752.0.10.6 in computing the tax payable

under this Part by the individual for a taxation year until amounts in respect of such gifts made in taxation years preceding the particular year that can be so taken into account are so taken into account.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1996.

91. (1) Section 752.0.10.6 of the said Act, amended by section 128 of chapter 85 of the statutes of 1997, is again amended by replacing paragraph *c* by the following :

“(c) the individual’s qualified total charitable gifts for the year.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1997. In addition, it applies to the taxation year 1997 of an individual who dies in the year 1998.

92. (1) Sections 752.0.10.9 and 752.0.10.10 of the said Act are replaced by the following :

“752.0.10.9. Subject to section 752.0.10.16, a gift made by an individual in the taxation year in which the individual dies, including a gift deemed by section 752.0.10.10, 752.0.10.10.1 or 752.0.10.16 to have been so made, is deemed, for the purposes of this chapter other than this section, to have been made by the individual in the preceding taxation year to the extent that an amount in respect of the gift is not deducted under section 752.0.10.6 for the taxation year in which the individual dies.

“752.0.10.10. Subject to section 752.0.10.16, where an individual by the individual’s will makes a gift to a donee referred to in the first paragraph of section 752.0.10.1, the gift is deemed, for the purposes of this chapter, to have been made by the individual immediately before the individual’s death.”

(2) Subsection 1 applies in respect of gifts made after 31 July 1997.

93. (1) The said Act is amended by inserting, after section 752.0.10.10, the following section :

“752.0.10.10.1. If, but for this section, an individual would be deemed under section 752.0.10.16 to have made a gift after the individual’s death, for the purposes of this chapter the individual is deemed to have made the gift in the taxation year in which the individual died.

Any amount of interest payable under this Act must be determined as if the presumption provided in the first paragraph did not apply.”

(2) Subsection 1 applies in respect of gifts made after 31 July 1997.

94. (1) The said Act is amended by inserting, after section 752.0.10.15, the following sections :

“752.0.10.16. For the purposes of this chapter, where at any particular time an individual makes a gift, including a gift that, but for this section and section 752.0.10.9, would be deemed under section 752.0.10.10 to have been made at the particular time, of a non-qualifying security of the individual and the gift is not an excepted gift of the individual, the following rules apply :

(a) except for the purpose of determining the individual’s proceeds of disposition of the security pursuant to section 752.0.10.12, the gift is deemed not to have been made ;

(b) where 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 that gift is deemed to be the lesser of the fair market value of the security at the subsequent time and the amount of the gift made 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 ;

(c) where 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 property at the time of the disposition and the fair market value of that gift 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 amount of the gift made 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

(d) a designation under section 752.0.10.12 in respect of the gift made at the particular time may be made in the individual’s fiscal return for the year that includes the subsequent time referred to in paragraph *b* or the time of the disposition referred to in paragraph *c*.

“752.0.10.17. Where a share, in this section referred to as the “new share”, that is a non-qualifying security of an individual has been acquired by a donee referred to in section 752.0.10.16 in exchange for another share, in this section referred to as the “exchanged share”, that is a non-qualifying security of the individual as a result of a transaction to which any of sections 301, 301.1, 537 and 541 to 555.4 applies, the new share is deemed for the purposes of section 752.0.10.16 and this section to be the same share as the exchanged share.

“752.0.10.18. For the purposes of this chapter, the fair market value of a gift of property made at any particular time by an individual is deemed to be equal to the fair market value of the gift of property otherwise determined minus the amount described in the second paragraph, where

(a) if the property is a non-qualifying security of the individual, the gift is an excepted gift; and

(b) within 60 months after the particular time,

i. the donee holds a non-qualifying security of the individual that was acquired by the donee on the latest of 1 August 1997 and any time that is after 60 months before the particular time, or

ii. where the individual and the donee do not deal at arm's length with each other,

(1) the individual or any person or partnership with whom or with which the individual does not deal at arm's length uses property of the donee under an agreement that was made or modified after the time that is 60 months before the particular time and has begun to so use it after 31 July 1997, and

(2) the property was not used in the carrying on of the donee's charitable activities.

The amount to which the first paragraph refers is the aggregate of all amounts each of which is the fair market value of the consideration given by the donee to acquire a non-qualifying security referred to in subparagraph i of subparagraph *b* of the first paragraph or the fair market value of property referred to in subparagraph ii of that subparagraph *b*, as the case may be.

Where the first paragraph applies for the purpose of determining the fair market value of a gift made at any particular time by an individual, the fair market value, referred to in the second paragraph, of consideration given to acquire a non-qualifying security referred to in subparagraph i of subparagraph *b* of the first paragraph or of property referred to in subparagraph ii of that subparagraph *b* is deemed to be equal to the fair market value of the consideration otherwise determined minus any portion of it that has been used under the first paragraph to reduce the fair market value of another gift made before that time by the individual."

(2) Subsection 1, where it enacts sections 752.0.10.16 and 752.0.10.17 of the said Act, applies in respect of gifts made after 31 July 1997.

(3) Subsection 1, where it enacts section 752.0.10.18 of the said Act, has effect from 1 August 1997.

95. (1) Section 752.0.18.2 of the said Act, amended by section 134 of chapter 85 of the statutes of 1997, is again amended by replacing, in paragraph *a*, "737.21 and 737.22.0.3" by "737.21, 737.22.0.0.3 and 737.22.0.3".

(2) Subsection 1 applies from the taxation year 1998.

96. (1) Section 752.0.18.7 of the said Act, amended by section 135 of chapter 85 of the statutes of 1997, is again amended by replacing “737.21 and 737.22.0.3” by “737.21, 737.22.0.0.3 and 737.22.0.3”.

(2) Subsection 1 applies from the taxation year 1998.

97. (1) Section 752.14 of the said Act, replaced by section 144 of chapter 85 of the statutes of 1997, is again replaced by the following :

“752.14. For the purposes of section 752.12, additional tax of an individual for a taxation year is equal to the amount by which the individual’s minimum tax applicable for the year as determined under section 776.46 exceeds the amount that would be the tax otherwise payable by the individual under this Part for the year if such amount were computed under Book V without reference to sections 752.1 to 752.5, 772.2 to 772.13, 776 and 776.1.1 to 776.1.5.”

(2) Subsection 1 applies from the taxation year 1998.

98. (1) Section 752.15.1 of the said Act, enacted by section 145 of chapter 85 of the statutes of 1997, is repealed.

(2) Subsection 1 applies from the taxation year 1998.

99. (1) Section 771 of the said Act, amended by section 149 of chapter 85 of the statutes of 1997, is again amended, in subsection 1,

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

“(j) notwithstanding paragraph *d.2*, in the case of a corporation referred to in paragraph *b*, for a taxation year for which it is an exempt corporation, within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds 16.25% of the amount determined in its respect for the year under section 771.8.5;”;

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

“(k) notwithstanding paragraphs *d.2* and *j*, in the case of a corporation referred to in paragraph *b*, for its taxation year that includes the last day of its eligibility period and for which it is an exempt corporation, within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of”.

(2) Subsection 1 has effect from 26 March 1997.

100. (1) Section 771.1 of the said Act, replaced by section 153 of chapter 85 of the statutes of 1997, is amended by replacing the definition of “eligibility period” by the following :

““eligibility period” of a corporation means the five-year period that begins on the later of the first day of the corporation’s first taxation year and 26 March 1997, except where the corporation ceases, in a particular taxation year, to be an exempt corporation within the meaning of sections 771.12 and 771.13, in which case that expression means the period that begins on the later of those dates and ends on the last day of the taxation year preceding the particular year;”.

(2) Subsection 1 has effect from 26 March 1997.

101. (1) Section 771.1.5 of the said Act, amended by section 157 of chapter 85 of the statutes of 1997, is again amended by replacing paragraph *b* by the following :

“(b) where a Canadian-controlled private corporation to which any of sections 771.1.2 to 771.1.4 applies, other than a corporation to which section 771.1.4.1 applies, has a taxation year of fewer than 51 weeks, its business limit for the year is that proportion of its business limit for the year, determined without reference to this paragraph and sections 771.1.5.1 and 771.1.5.2, that the number of days in the year is of 365.”

(2) Subsection 1 applies from the taxation year 1998.

102. Section 771.1.5.3 of the said Act is amended by replacing paragraph *c* by the following :

“(c) in respect of a cooperative, its paid-up capital determined for that year in accordance with Title I of Book III of Part IV.”

103. (1) The said Act is amended by inserting, after section 771.2.2, the following section :

“771.2.3. For the purposes of subparagraphs i and ii of paragraph *d.2* of subsection 1 of section 771, subparagraphs ii and iii of paragraphs *f*, *h* and *i* of subsection 1 of section 771 and paragraph *d* of sections 771.8.1, 771.8.3 and 771.8.4, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed

(a) as if the amount determined under subparagraph *a* of the first paragraph of section 737.18.3 in respect of the corporation for the year were nil ; and

(b) as if the amount determined under subparagraph *b* of the first paragraph of section 737.18.3 in respect of the corporation for the year were, up to the amount that would, but for paragraph *a*, be determined under subparagraph *a* of that first paragraph in respect of the corporation for the year, nil.”

(2) Subsection 1 applies from the taxation year 1998.



104. (1) Section 771.12 of the said Act, enacted by section 165 of chapter 85 of the statutes of 1997, is amended by replacing paragraph *a* by the following:

“(a) the corporation holds a certificate issued and unrevoked by the Minister of Finance establishing that the corporation carries on or may carry on a business in a building housing an information technology development centre;”.

(2) Subsection 1 has effect from 26 March 1997.

105. (1) Section 771.13 of the said Act, enacted by section 165 of chapter 85 of the statutes of 1997, is replaced by the following:

“771.13. A corporation is not an exempt corporation for a taxation year if

(a) the corporation is exempt from tax for the year under Book VIII;

(b) the corporation would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”; or

(c) the corporation, at any time in the period extending from the day of its incorporation to the end of that year, was a beneficiary of a trust or carried on

i. a personal services business, or

ii. an eligible business as a member of a partnership or as a co-participant in a joint venture with another person or partnership.”

(2) Subsection 1 has effect from 26 March 1997.

106. (1) Section 772.7 of the said Act, amended by section 167 of chapter 85 of the statutes of 1997, is again amended by replacing, in subparagraph ii of subparagraph *b* of the first paragraph, “737.21,” by “737.21, 737.22.0.0.3,”.

(2) Subsection 1 applies from the taxation year 1998.

107. (1) Section 772.9 of the said Act, amended by section 168 of chapter 85 of the statutes of 1997, is again amended by replacing, in subparagraph 2 of subparagraph ii of paragraph *a*, “737.21,” by “737.21, 737.22.0.0.3,”.

(2) Subsection 1 applies from the taxation year 1998.

108. (1) Section 772.11 of the said Act, amended by section 170 of chapter 85 of the statutes of 1997, is again amended by replacing, in subparagraph 2 of subparagraph ii of subparagraph *a* of the second paragraph, “737.21,” by “737.21, 737.22.0.0.3,”.

(2) Subsection 1 applies from the taxation year 1998.

109. (1) Section 775.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

110. (1) Section 776.32 of the said Act, amended by section 176 of chapter 85 of the statutes of 1997, is again amended by replacing, in the first paragraph, “the aggregate” by “the amount”.

(2) Subsection 1 applies from the taxation year 1998.

111. (1) Section 776.33 of the said Act, amended by section 178 of chapter 85 of the statutes of 1997, is replaced by the following :

“776.33. For the purposes of the first paragraph of section 776.32, the amount determined for a taxation year in respect of the individual referred to therein is, subject to the second paragraph, equal to

(a) \$1,500 where the individual has an eligible spouse for the year;

(b) \$1,195 in other cases.

Where more than one individual is, for a taxation year, entitled to deduct an amount under section 776.32 as a result of the designation, pursuant to that section, of one and the same dependent person, the following rules apply :

(a) the amount determined for the year under the first paragraph in respect of each of those individuals shall be reduced to the proportion of that amount that is determined by all of the individuals, and the aggregate of the proportions so determined in respect of each of the individuals shall not exceed 1 for the year;

(b) where the individuals cannot agree as to what proportion is applicable to each of them, the Minister may fix the amount that each of those individuals may deduct for the year under section 776.32.

For the purposes of the second paragraph, where one of the individuals entitled to deduct an amount under section 776.32 is the eligible spouse of an individual referred to in that paragraph, the individual and the eligible spouse of that individual are deemed to be the same person.”

(2) Subsection 1 applies from the taxation year 1998.

112. (1) Sections 776.39 and 776.40 of the said Act are repealed.

(2) Subsection 1 applies from the taxation year 1998.

113. (1) Section 776.67 of the said Act, enacted by section 188 of chapter 85 of the statutes of 1997, is amended by replacing paragraph *b* by the following :

“(b) where paragraph *a* does not apply, the Minister determines the tax payable by the individual for the year under this Part with reference to the provisions of this Book if, as a consequence of the application of those provisions, the tax payable by the individual for the year is lesser than the amount that would be the individual’s tax payable for the year under this Part if this Book were not taken into account or another individual is, pursuant to section 776.78, entitled to deduct an amount in computing that other individual’s tax otherwise payable for the year under this Part.”

(2) Subsection 1 applies from the taxation year 1998.

114. (1) Section 776.75 of the said Act, enacted by section 188 of chapter 85 of the statutes of 1997, is repealed.

(2) Subsection 1 applies from the taxation year 1998.

115. (1) Title V of Book V.2.1 of Part I of the said Act, enacted by section 188 of chapter 85 of the statutes of 1997, is repealed.

(2) Subsection 1 applies from the taxation year 1998.

116. (1) Section 776.90 of the said Act, enacted by section 188 of chapter 85 of the statutes of 1997, is replaced by the following :

“776.90. For the purposes of subsection 2 of section 175.1, paragraph *e.1*, subparagraph xi of paragraph *i* and paragraph *k* of section 255, subparagraph ii of subparagraph *c* of the first paragraph of section 418.15 and subparagraph *b* of the first paragraph of section 485.3, an amount shall not be considered not to be deductible in computing the individual’s income for the year because of the provisions of Title II.”

(2) Subsection 1 applies from the taxation year 1998.

117. (1) Section 779 of the said Act, replaced by section 189 of chapter 85 of the statutes of 1997, is amended by replacing “II.16” by “II.17”.

(2) Subsection 1 applies from the taxation year 1998.

118. (1) Section 835 of the said Act, amended by section 200 of chapter 16 of the statutes of 1998, is again amended by replacing, in subparagraph 7 of subparagraph ii of paragraph *l*, “paragraphs *a* and *c* to *l*” by “paragraphs *a* to *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

119. (1) Section 851.33 of the said Act is amended by replacing, in the portion of the first paragraph before subparagraph *a*, “under section 752.0.10.1” by “under the first paragraph of section 752.0.10.1” and “752.0.10.14” by “752.0.10.18”.

(2) Subsection 1 has effect from 1 August 1997.

120. (1) Section 851.34 of the said Act is amended by replacing, in the portion before paragraph *a*, “paragraph *d*” by “subparagraph ii of paragraph *a*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

121. The heading of Title I of Book VII of Part I of the said Act is amended by striking out the word “EMPLOYEES”.

122. Section 923.4 of the said Act is repealed.

123. (1) Section 965.4.4.1 of the said Act is amended by replacing the first paragraph by the following:

“965.4.4.1. For the purposes of sections 965.3 to 965.3.2 and 965.4.1.2, where any of the computations referred to therein must be made in respect of a particular corporation that makes a public share issue, a convertible security issue or a non-guaranteed convertible security issue and that would be, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus, a growth corporation or a qualified corporation but for a venture capital corporation associated with it on that date, the computation is made without taking into account the assets of that venture capital corporation if, on the date on which the public share issue, the convertible security issue or the non-guaranteed convertible security issue, as the case may be, ends, the particular corporation is no longer associated with that venture capital corporation.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 14 November 1997.

124. (1) Section 965.5 of the said Act is replaced by the following:

“965.5. For the purposes of sections 965.3 to 965.3.2 and 965.4.1.2, where a corporation or a corporation associated with it reduces its assets by any transaction for the purpose of qualifying the corporation as a growth corporation or as a corporation whose assets are under \$300,000,000 or as a qualified corporation, as the case may be, the assets are deemed not to have been reduced unless the Minister decides otherwise.”

(2) Subsection 1 applies in respect of shares or non-guaranteed convertible securities acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

125. (1) Section 965.6 of the said Act, amended by section 205 of chapter 85 of the statutes of 1997, is again amended

(1) by replacing paragraph *b.1* by the following :

“(b.1) 125% in the case of a qualifying share of a corporation described in section 965.11.7.1 that is acquired by the purchaser and issued before 15 May 1992 as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 11 November 1986, and 150% in the case of such a share that is issued after 14 May 1992, other than a share referred to in paragraph *b.1.1* or *b.2*;”;

(2) by inserting, after paragraph *b.1*, the following paragraph :

“(b.1.1) 75% in the case of a qualifying share of a corporation described in section 965.11.7.1 that is

i. a preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.4.2 and is issued as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 3 July 1997, or

ii. a common share that meets the requirements of paragraph *a* of section 965.9.1.0.4.2 and is acquired as a result of the exercise of a conversion right conferred on the holder of a qualifying share that is a preferred share referred to in subparagraph i;”;

(3) by replacing, in subparagraph ii of paragraph *c.8*, “\$250,000,000” by “\$300,000,000”.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of shares acquired as part 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 3 July 1997.

(3) Paragraph 3 of 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 31 March 1998.

126. (1) Section 965.6.0.5 of the said Act is replaced by the following :

“965.6.0.5. The adjusted cost of a qualifying non-guaranteed convertible security to an individual, an investment group or an investment fund is obtained by multiplying the cost of the security to the individual,

investment group or investment fund, as the case may be, determined without reference to the borrowing costs, subscription or custody fees or other similar costs related to the security, by 50% in the case of a qualifying non-guaranteed convertible security issued by a corporation whose assets are under \$300,000,000.”

(2) Subsection 1 applies in respect of non-guaranteed convertible securities acquired as part of a non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

127. (1) Section 965.9.1.0.1 of the said Act is amended by replacing paragraph *c* by the following :

“(c) it is issued by a qualified corporation whose assets are less than \$300,000,000 on the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of the issue of convertible securities referred to in paragraph *b* ;”.

(2) Subsection 1 applies in respect of shares acquired as a result of the exercise of a conversion right conferred on the holder of a convertible security issued as part of a convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

128. (1) Section 965.9.1.0.2 of the said Act is amended by replacing paragraph *c* by the following :

“(c) it is issued by a qualified corporation whose assets are less than \$300,000,000 on the date of the transaction referred to in paragraph *b* ;”.

(2) Subsection 1 applies in respect of shares acquired as a result of the exercise of a conversion right conferred on the holder of a convertible security issued in replacement of a convertible security already issued as part of a convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

129. (1) The said Act is amended by inserting, after section 965.9.1.0.4, enacted by section 211 of chapter 85 of the statutes of 1997, the following sections :

“965.9.1.0.4.1. A share issued by a corporation described in section 965.11.7.1 also qualifies for a stock savings plan if

(a) it is a common share which, in comparison with all other common shares with voting rights of the capital stock of the issuing corporation, carries voting rights in a ratio of at least one to ten ; and

(b) it meets the requirements of paragraphs *c* to *f* of section 965.7 where its acquirer is an investment fund, and the requirements of paragraphs *c* to *g* of section 965.7 where its acquirer is an individual or an investment group.

“965.9.1.0.4.2. A share also qualifies for a stock savings plan if it is issued by a corporation described in section 965.11.7.1 and is either

(a) a common share described in section 965.9.1.0.4.1 which

i. is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a preferred share that met the requirements of paragraph *b*,

ii. under the conditions pertaining to the issue of the preferred share referred to in subparagraph i, cannot

(1) be redeemed by the issuing corporation or purchased by anyone in any manner whatever, directly or indirectly, either in whole or in part,

(2) be the subject of a transaction that would result in rendering such a share, a share substituted for such a share, a share received through a transaction referred to in section 301, 536, 541 or 544 in relation to any such shares or a substituted share redeemable by the issuing corporation or purchasable by anyone, in any manner whatever, directly or indirectly, either in whole or in part, or in transferring property of the issuing corporation, other than a dividend, to the shareholder, or

(3) entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation,

iii. is the subject of a statement by the issuing corporation, in the final prospectus or the application for an exemption from filing a prospectus relating to the public share issue as part of which the preferred share referred to in subparagraph i was issued, to the effect that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title,

iv. before the receipt for the final prospectus or the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iii was obtained, was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this Title, and

v. is

(1) on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iii, a share of a class listed on the Montréal Stock Exchange, or

(2) a share of a class none of the shares of which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iii, has been issued but in respect of which the issuing corporation has undertaken, in the final prospectus or the application for an exemption from filing a prospectus, to have shares of that class listed on the Montréal Stock Exchange not later than 60 days after the date on which the issuing corporation proves that it has distributed a sufficient quantity of shares of that class to holders ; or

(b) a preferred share that is a non-guaranteed preferred share issued as part of a public share issue by the corporation which

i. subject to section 965.9.1.0.8, meets the requirements of paragraphs *c* to *f* of section 965.7 where its acquirer is an investment fund, and the requirements of paragraphs *c* to *g* of section 965.7 where its acquirer is an individual or an investment group,

ii. is convertible into a common share meeting the requirements of paragraph *a*, and

iii. is of a separate class relating to the public share issue.

“965.9.1.0.4.3. A share described in section 965.9.1.0.4.1 and issued by a corporation described in section 965.11.7.1 also qualifies for a stock savings plan if

(a) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a particular preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.4.2 and issued, as a result of a transaction referred to in section 536, 541 or 544, in replacement for such a preferred share which was outstanding at the time of such transaction or in replacement for such a preferred share which had been issued in substitution for a preferred share which, were it not for such substitution, could have been converted into a qualifying share described in this section ;

(b) under the conditions pertaining to the issue of the particular preferred share, it cannot

i. be redeemed by the issuing corporation or purchased by anyone in any manner whatever, directly or indirectly, either in whole or in part,

ii. be the subject of a transaction that would result in rendering such a share, a share substituted for such a share, a share received through a transaction referred to in section 301, 536, 541 or 544 in relation to any such shares or a substituted share redeemable by the issuing corporation or purchasable by anyone, in any manner whatever, directly or indirectly, either in whole or in part, or in transferring property of the issuing corporation, other than a dividend, to the shareholder, or



iii. entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation;

(c) the issuing corporation states, in the final prospectus or the application for an exemption from filing a prospectus relating to the replacement of the particular preferred share, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title;

(d) it is

i. a share of a class of the capital stock of the corporation having shares of the same class which, immediately after the transaction mentioned in paragraph *a*, are listed on the Montréal Stock Exchange, or

ii. a share of a class of the capital stock of the corporation none of the shares of which, immediately after the transaction mentioned in paragraph *a*, is listed on the Montréal Stock Exchange but in respect of which the corporation has undertaken, in the final prospectus or the application for an exemption from filing a prospectus relating to the replacement of the particular preferred share, to have shares of that class listed on the Montréal Stock Exchange not later than 60 days after the date on which the corporation proves that it has distributed a sufficient quantity of shares of that class to holders; and

(e) before the transaction mentioned in paragraph *a*, it was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this Title.”

(2) Subsection 1 applies in respect of shares acquired as part 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 3 July 1997.

130. (1) Section 965.9.1.0.5 of the said Act, enacted by section 211 of chapter 85 of the statutes of 1997, is amended, in paragraph *a*,

(1) by replacing, in the English text, the portion of subparagraph iii before subparagraph 1 by the following:

“iii. under the conditions pertaining to the issue of the preferred share referred to in subparagraph i, cannot”;

(2) by replacing, in the English text, subparagraph iv by the following:

“iv. is the subject of a statement by the issuing corporation, in the final prospectus or the application for an exemption from filing a prospectus relating to the public share issue as part of which the preferred share referred to in subparagraph i was issued, to the effect that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title,”;

(3) by replacing, in the English text of subparagraph v, the words “it was the subject” by the words “was the subject”;

(4) by replacing subparagraph vi by the following :

“vi. is

(1) on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iv, a share of a class listed on the Montréal Stock Exchange, or

(2) a share of a class none of the shares of which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iv, has been issued but in respect of which the issuing corporation has undertaken, in the final prospectus or the application for an exemption from filing a prospectus, to have shares of that class listed on the Montréal Stock Exchange not later than 60 days after the date on which the issuing corporation proves that it has distributed a sufficient quantity of shares of that class to holders ; or”.

(2) Paragraph 4 of subsection 1 applies in respect of shares acquired as part 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 3 July 1997.

131. (1) Section 965.9.1.0.6 of the said Act, enacted by section 211 of chapter 85 of the statutes of 1997, is amended by replacing paragraph *e* by the following :

“(e) it is

i. a share of a class of the capital stock of the corporation having shares of the same class which, immediately after the transaction mentioned in paragraph *a*, are listed on the Montréal Stock Exchange, or

ii. a share of a class of the capital stock of the corporation none of the shares of which, immediately after the transaction mentioned in paragraph *a*, is listed on the Montréal Stock Exchange but in respect of which the corporation has undertaken, in the final prospectus or the application for an exemption from filing a prospectus relating to the replacement of the particular preferred share, to have shares of that class listed on the Montréal Stock Exchange not later than 60 days after the date on which the corporation proves that it has distributed a sufficient quantity of shares of that class to holders ; and”.

(2) Subsection 1 applies in respect of shares acquired as part 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 3 July 1997.

132. (1) Section 965.10 of the said Act is amended

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

“(a.1) its assets are under \$300,000,000;”;

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

“(e) it had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders

i. throughout the preceding 12 months, or

ii. throughout the preceding six months where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan, and

(2) a class of shares of its capital stock is listed on the Montréal Stock Exchange on that date.”

(2) Paragraph 1 of subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 31 March 1998.

(3) Paragraph 2 of subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

133. (1) Section 965.10.2 of the said Act is replaced by the following :

“965.10.2. For the purposes of section 965.10, where a corporation results from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement in paragraph *e* of section 965.10 shall be replaced by the requirement to have, throughout the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders and, immediately before the time of the amalgamation, for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons related to such insiders

(a) throughout the 12 months preceding the time of the amalgamation ; or

(b) throughout the six months preceding the time of the amalgamation where

i. it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

ii. a class of shares of its capital stock is listed on the Montréal Stock Exchange immediately before the time of the amalgamation, and

iii. a class of shares of the capital stock of the corporation resulting from the amalgamation is listed on the Montréal Stock Exchange on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

134. (1) Section 965.10.3 of the said Act is amended by replacing the first paragraph by the following :

“965.10.3. For the purposes of section 965.10.2, where a predecessor corporation referred to in that section is itself a corporation resulting from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the time it became a predecessor corporation, the requirement last provided in its respect in section 965.10.2 concerning the number of employees shall be replaced by the requirement to have had, throughout the period from the time of the amalgamation to the time it became a predecessor corporation, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons to whom they are related and, immediately before the time of the amalgamation, for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons to whom they are related

(a) throughout the 12 months preceding the time of the amalgamation ; or

(b) throughout the six months preceding the time of the amalgamation where

i. it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

ii. a class of shares of its capital stock is listed on the Montréal Stock Exchange immediately before the time of the amalgamation, and

iii. a class of shares of the capital stock of the corporation referred to in section 965.10.2, resulting from an amalgamation, is listed on the Montréal Stock Exchange on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

135. (1) Section 965.10.3.1 of the said Act is amended by replacing paragraph *b* by the following :

“(b) the subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons to whom they are related

i. throughout the 12-month period immediately preceding the commencement of its winding-up, or

ii. throughout the six-month period immediately preceding the commencement of its winding-up where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

(2) a class of shares of its capital stock is listed on the Montréal Stock Exchange immediately before the commencement of its winding-up, and

(3) a class of shares of the capital stock of the corporation is listed on the Montréal Stock Exchange on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

136. (1) Section 965.10.3.2 of the said Act is amended by replacing subparagraph *b* of the first paragraph by the following :

“(b) the other subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons to whom they are related

i. throughout the 12-month period immediately preceding the commencement of its winding-up, or

ii. throughout the six-month period immediately preceding the commencement of its winding-up where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

(2) a class of shares of its capital stock is listed on the Montréal Stock Exchange immediately before the commencement of its winding-up, and

(3) a class of shares of the capital stock of the corporation referred to in section 965.10.3.1 that makes an issue referred to therein is listed on the Montréal Stock Exchange on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

137. Section 965.11 of the said Act is amended by replacing paragraph *b* by the following :

“(b) debentures, bonds or shares issued by a cooperative, other than a savings and credit union, meeting the requirements of paragraph *d* of section 965.10;”.

138. (1) Section 965.11.5 of the said Act is amended by replacing paragraph *d* by the following :

“(d) one of the subsidiary corporations meets the requirements of paragraphs *a* to *d* of section 965.10 and had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons to whom they are related

i. throughout the 12 months preceding that date, or

ii. throughout the six months preceding that date where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan, and

(2) a class of shares of the capital stock of the corporation is listed on the Montréal Stock Exchange on that date.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

139. (1) Section 965.17.2 of the said Act is amended by replacing paragraphs *c* and *d* by the following :

“(c) it is a corporation that had not fewer than five full-time employees who were not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons to whom they were related

i. throughout the 12 months preceding that date, or

ii. throughout the six months preceding that date where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan, and

(2) a class of shares of its capital stock is listed on the Montréal Stock Exchange on that date;

“(d) its assets are less than \$300,000,000; and”.

(2) Subsection 1, where it replaces paragraph *c* of section 965.17.2 of the said Act, applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

(3) Subsection 1, where it replaces paragraph *d* of section 965.17.2 of the said Act, applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 31 March 1998.

140. (1) Section 965.17.3 of the said Act is amended by replacing subparagraphs i and ii of paragraph *c* by the following :

“i. whose control was acquired by the qualified corporation more than 12 months before that date fulfills, subject to section 965.17.3.1, the requirements of paragraphs *a* to *e* of section 965.17.2, or

“ii. that results from an amalgamation, within the meaning of section 544, within the 365 days before that date, fulfills the requirements of paragraphs *a*, *b*, *d* and *e* of section 965.17.2 and paragraph *b* of section 965.17.5, and one of the predecessor corporations whose control was acquired by the qualified corporation more than 12 months before that date fulfilled, subject to sections 965.17.3.1 and 965.17.3.2, immediately before that date, all the requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue; and”.

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

141. (1) The said Act is amended by inserting, after section 965.17.3, the following sections :

“965.17.3.1. For the purpose of determining, for the purposes of subparagraphs i and ii of paragraph *c* of section 965.17.3, paragraph *b* of section 965.17.4.1, paragraph *c* of section 965.17.5 and paragraph *b* of section 965.17.5.1, whether a subsidiary or a predecessor corporation, as the case may be, referred to therein fulfills the requirement in paragraph *c* of section 965.17.2, subparagraph 2 of subparagraph ii of paragraph *c* of that section 965.17.2 shall be read as follows :

“(2) a class of shares of the capital stock of the qualified corporation is listed on the Montréal Stock Exchange on the date of the receipt for the final prospectus or of the exemption from filing a prospectus;”.

“965.17.3.2. The exclusion relating to a public share issue provided in subparagraph ii of paragraph *c* of section 965.17.3, paragraph *b* of section 965.17.4.1, paragraph *c* of section 965.17.5 and paragraph *b* of section 965.17.5.1 does not apply in respect of a public share issue referred to in subparagraph 1 of subparagraph ii of paragraph *c* of section 965.17.2.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

142. (1) Section 965.17.4.1 of the said Act is amended by replacing paragraph *b* by the following :

“(b) the other subsidiary meets, subject to sections 965.17.3.1 and 965.17.3.2, immediately before the commencement of its winding-up, all the requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

143. (1) Section 965.17.5 of the said Act is amended by replacing paragraph *c* by the following :

“(c) immediately before the amalgamation, one of the predecessor corporations fulfilled, subject to sections 965.17.3.1 and 965.17.3.2, all the requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.



144. (1) Section 965.17.5.1 of the said Act is amended by replacing paragraph *b* by the following :

“(b) the subsidiary meets, subject to sections 965.17.3.1 and 965.17.3.2, immediately before the commencement of its winding-up, all the requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

145. (1) Section 965.23.0.1 of the said Act, enacted by section 220 of chapter 85 of the statutes of 1997, is replaced by the following :

“965.23.0.1. Where, as a result of a transaction provided for in section 301, a qualifying non-guaranteed convertible security included in a stock savings plan is converted into a qualifying share referred to in section 965.9.1.0.3 or 965.9.1.0.4, a preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.4.2 and included in a stock savings plan is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.4.2 or in section 965.9.1.0.4.3, or a preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.5 and included in a stock savings plan is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, the qualifying non-guaranteed convertible security or preferred share is deemed to be withdrawn from the stock savings plan only when a qualifying share issued in replacement of the qualifying non-guaranteed convertible security or preferred share, as the case may be, is withdrawn from the plan.”

(2) Subsection 1 applies in respect of shares acquired as part 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 3 July 1997.

146. (1) Section 965.23.1.0.1 of the said Act, enacted by section 222 of chapter 85 of the statutes of 1997, is amended by replacing the portion before paragraph *a* by the following :

“965.23.1.0.1. Where, as a result of a transaction provided for in section 301, a qualifying non-guaranteed convertible security that is owned by an investment fund is converted into a qualifying share referred to in section 965.9.1.0.3 or 965.9.1.0.4, a preferred share that is a qualifying share by reason of paragraph *b* of section 965.9.1.0.4.2 and that is owned by an investment fund is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.4.2 or in section 965.9.1.0.4.3, or a preferred share that is a qualifying share by reason of paragraph *b* of section 965.9.1.0.5 and that is owned by an investment fund is converted into a qualifying share referred to

in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, the following rules apply :”.

(2) Subsection 1 applies in respect of shares acquired as part 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 3 July 1997.

147. (1) The said Act is amended by inserting, after section 965.24.1.2.1, enacted by section 224 of chapter 85 of the statutes of 1997, the following section :

“965.24.1.2.1.1. Notwithstanding section 965.24.1, where a corporation referred to in section 965.11.7.1 issues, as part of a public issue, a preferred share referred to in paragraph *b* of section 965.9.1.0.4.2, in section 965.9.1.0.4.3, in paragraph *b* of section 965.9.1.0.5 or in section 965.9.1.0.6, that is convertible into a qualifying share referred to in paragraph *a* of section 965.9.1.0.4.2, in section 965.9.1.0.4.3, in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, while no share of the same class as that qualifying share was outstanding on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public issue of that preferred share, the corporation is required to undertake, in the final prospectus or the application for an exemption from filing a prospectus relating to the issue of that preferred share, to have shares of the same class as the qualifying share listed on the Montréal Stock Exchange on or before the sixtieth day after the date on which the corporation demonstrates to the proper authorities of the Montréal Stock Exchange that the shares of that class are sufficiently distributed among holders.”

(2) Subsection 1 applies in respect of shares acquired as part 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 3 July 1997.

148. (1) Section 965.29 of the said Act is amended by striking out paragraph *e.1*.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

149. (1) Section 965.31 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

150. (1) Section 965.31.1 of the said Act is amended

(1) by replacing, in paragraphs *j* to *m*, “after 2 May 1991” by “during the period from 3 May 1991 to 31 March 1998”;

(2) by adding, after paragraph *m*, the following paragraph :

“(n) in the case of a qualified investment made after 31 March 1998 by a Québec business investment company, 150% of the aggregate of the amount of the taxpayer’s interest in the qualified investment and the amount of the taxpayer’s additional interest in respect of the qualified investment, without exceeding 150% of the amount of the taxpayer’s financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment.”

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

151. (1) Section 965.31.3 of the said Act is replaced by the following :

“965.31.3. In this Title, where an individual acquires by succession or will a share of a Québec business investment company, the following rules apply :

(a) the cost to the individual of the share is deemed to be equal to the cost to the deceased shareholder of the share determined without taking into account the borrowing costs and other costs related to the acquisition thereof or the custody fees ;

(b) the individual’s interest in and additional interest in respect of a qualified investment that is made by the Québec business investment company after the death of the shareholder but before the time the share is allocated or transferred to the individual, are deemed to be an interest of the individual in and an additional interest of the individual in respect of a qualified investment for the year in which the share is allocated or transferred to the individual and not to be an interest of the individual in and an additional interest of the individual in respect of a qualified investment for the year in which the Québec business investment company makes the qualified investment.”

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

152. (1) Section 965.33 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

153. (1) Section 965.34 of the said Act is amended by striking out the words “or a venture capital corporation”.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

154. (1) Section 985.1 of the said Act is amended by replacing, in paragraph *b*, “paragraphs *a* and *c* to *l*” by “paragraphs *a* to *c*” and “in section” by “in the first paragraph of section”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

155. Section 985.4.3 of the said Act is amended by replacing, in the French text, the words “poste recommandée” by the words “courrier recommandé”.

156. (1) Section 985.14 of the said Act is amended by replacing, in paragraph *c*, “paragraphs *c* to *l*” by “paragraph *a* or *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

157. (1) Section 985.25 of the said Act, amended by section 229 of chapter 85 of the statutes of 1997, is again amended by replacing, in paragraph *a*, “716” by “716.0.2” and “752.0.10.14” by “752.0.10.18”.

(2) Subsection 1 has effect from 1 August 1997.

158. (1) Section 985.27 of the said Act is amended by replacing, in paragraph *a* of the definition of “qualified donee”, “paragraphs *a* to *b.1, f* and *l*” by “subparagraphs *v* and *ix* of paragraph *a*, in subparagraph *ii* of paragraph *c* or in paragraph *d*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

159. (1) The said Act is amended by inserting, after section 1000.1, the following sections :

“1000.2. Where a taxpayer has deducted, in respect of a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), because of subparagraph *t* of the first paragraph of that class or of the second paragraph of that class, an amount in computing the taxpayer’s income under paragraph *a* of section 130 or the second paragraph of section 130.1 for a taxation year ending before all the conditions applicable to the property and mentioned in that subparagraph *t* or that second paragraph, as the case may be, have been met, and, in a subsequent taxation year, an event occurs that results in any of those conditions not being able to be met, the taxpayer shall, on or before the taxpayer’s filing-due date for that subsequent taxation year, file with the Minister for any taxation year that precedes the subsequent taxation year and for which the taxpayer’s fiscal return was filed by the taxpayer under section 1000, and for which tax consequences under this Part arise from the fact that the property cannot be included in that class, an amended fiscal return in which those tax consequences must be taken into account.

“1000.3. Where a partnership has deducted, in respect of a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), because of subparagraph *t* of the first paragraph of that class or of the second paragraph of that class, an amount in computing its income under paragraph *a* of section 130 or the second paragraph of section

130.1 for a particular fiscal period ending before all the conditions applicable to the property and mentioned in that subparagraph *t* or that second paragraph, as the case may be, have been met, and, in a subsequent fiscal period, an event occurs that results in any of those conditions not being able to be met, each taxpayer who was a member of the partnership at the end of the particular fiscal period shall, on or before the taxpayer's filing-due date for the taxpayer's taxation year in which that subsequent fiscal period ends or would have ended had the taxpayer been a member of the partnership at the end of that subsequent fiscal period, file with the Minister for any taxation year that precedes that taxation year and for which the taxpayer's fiscal return was filed by the taxpayer under section 1000, and for which tax consequences under this Part arise from the fact that the property cannot be included in that class, an amended fiscal return in which those tax consequences must be taken into account."

(2) Subsection 1 applies to taxation years in respect of which the time limits provided for in subsection 2 of section 1010 of the said Act have not expired on (*insert the date of assent to this Act*).

160. (1) The said Act is amended by inserting, after section 1010, the following section :

"1010.O.O.1. Notwithstanding the expiration of the time limits provided for in section 1010, where a taxpayer has deducted, or is a member of a partnership that has deducted, in respect of a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1) because of subparagraph *t* of the first paragraph of that class or of the second paragraph of that class, an amount in computing the taxpayer's income under paragraph *a* of section 130 or the second paragraph of section 130.1 for a taxation year or a fiscal period, as the case may be, ending before all the conditions applicable to the property and mentioned in that subparagraph *t* or that second paragraph, as the case may be, have been met, and, in a subsequent taxation year or fiscal period, an event occurs that results in any of those conditions not being able to be met, the following rules apply :

(a) the Minister may, at any time, but for the amended fiscal return that the taxpayer is required to file under section 1000.2 or 1000.3, redetermine the tax, interest and penalties payable under this Part by the taxpayer for any taxation year for which tax consequences under this Part arise from the fact that the property cannot be so included in that class ; and

(b) the Minister may also redetermine the tax, interest and penalties payable under this Part and make a reassessment or an additional assessment, as the case may be,

i. within three years after the later of the day of mailing, pursuant to subparagraph *a*, of a notice of assessment for a taxation year or of a notification that no tax is payable for a taxation year and the day on which an amended fiscal return for the taxation year is filed pursuant to section 1000.2 or 1000.3, or

ii. within four years after the day referred to in subparagraph i if, at the end of the taxation year concerned, the taxpayer is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

However, the Minister may, in respect of a taxation year for which tax consequences under this Part arise from the fact that the property cannot be so included in a class, make an assessment, a reassessment or an additional assessment beyond the periods referred to in paragraph *a* or *a.0.1* of subsection 2 of section 1010 only to the extent that the assessment, reassessment or additional assessment may reasonably be considered to relate to a tax consequence referred to in section 1000.2 or 1000.3.”

(2) Subsection 1 applies to taxation years in respect of which the time limits provided for in subsection 2 of section 1010 of the said Act have not expired on (*insert the date of assent to this Act*).

161. (1) The said Act is amended by inserting, after section 1010.0.2, enacted by section 2 of chapter 86 of the statutes of 1997, the following section:

“1010.0.3. Notwithstanding the expiration of the time limits provided for in section 1010, where a taxpayer is the subject of an assessment or reassessment by a province other than Québec under an Act that is similar to this Act, the Minister may, within one year after the date of that assessment, redetermine the tax, interest and penalties payable by the taxpayer and make a reassessment for the sole purpose of taking into account elements that may be considered to relate to that assessment or reassessment.”

(2) Subsection 1 applies in respect of assessments or reassessments by a province other than Québec after 18 December 1997, other than such an assessment relating to a taxation year of a taxpayer in respect of which the time limits provided for in section 1010 of the said Act expired before 19 December 1997.

162. (1) Section 1029.6.0.1 of the said Act, amended by section 247 of chapter 85 of the statutes of 1997, is again amended

(1) by replacing, in paragraph *a*, “and II.6.5” by “, II.6.5, II.6.8 and II.6.9”;

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

“(b) where it may reasonably be considered that all or a portion of a consideration paid or payable by a person or partnership under a particular contract relates to a particular expenditure or to particular costs and that person or a member of that partnership may be deemed, for a taxation year, to have paid to the Minister an amount, under Divisions II to II.6.2, II.6.5, II.6.8 or II.6.9, in respect of that expenditure or those costs, as the case may be, no amount may be deemed to have been paid to the Minister by another taxpayer, for any taxation year, under any of those divisions, in respect of all or part of a cost, an expenditure or any costs incurred in performing the particular