



---

---

# NATIONAL ASSEMBLY

---

---

FIRST SESSION

THIRTY-SIXTH LEGISLATURE

Bill 29

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

---

---

**Introduction**

**Introduced by  
Mr Bernard Landry  
Minister of Revenue**

---

**Québec Official Publisher  
1999**

## **EXPLANATORY NOTES**

*The main object of this bill is to harmonize the fiscal legislation in Québec with that of Canada. It consequently gives effect primarily to various harmonization measures announced in the Budget Speeches delivered by the Minister of State for the Economy and Finance on 25 March 1997 and 31 March 1998.*

*The bill also gives effect to various measures contained in Information Bulletin 95-4 issued by the Ministère des Finances on 5 July 1995.*

*The bill amends the Mining Duties Act in concordance with the amendments made to the Taxation Act to extend the rules relating to mining reclamation trusts to other similar environmental trusts.*

*The bill amends the Taxation Act primarily to make amendments similar to various amendments made to the Canada Income Tax Act by federal Bill C-28 (S.C., 1998, chapter 19), assented to on 18 June 1998. In particular, the amendments concern*

*(1) registered education savings plans, to increase taxpayers' interest in this type of investment vehicle used to finance post-secondary education, in particular by allowing subscribers under the plan to withdraw accumulated income in certain circumstances;*

*(2) the implementation of a special tax on accumulated income payments under a registered education savings plan;*

*(3) the rules applicable to the various deferred income plans, in particular as regards transfers from one plan to another;*

*(4) the tax treatment of benefits paid to a taxpayer under a disability insurance plan so that there will be no change in the tax treatment if the insurer becomes insolvent and the employer continues the benefits;*

*(5) an extension of the list of recognized medical expenses for the purposes of the non-refundable tax credit for medical expenses and the implementation of a refundable tax credit for medical expenses that is intended to partially compensate for the loss of special benefits to a beneficiary of income security who enters the labour market;*

(6) *the introduction for cemetery care trusts of rules similar to those applicable to trusts governed by eligible funeral arrangements;*

(7) *an extension of the rules relating to mining reclamation trusts to other similar environmental trusts;*

(8) *the consolidation, improvement and standardization of the rules allowing for deferral of losses arising from certain transfers of property which involve affiliated persons;*

(9) *a tightening of certain rules devised to prevent abusive tax shelter promotion;*

(10) *an extension of the minimum replacement tax base to partnership losses attributed to limited partners and to certain dormant partners as well as to tax shelter losses;*

(11) *the rules relating to the methods of valuing inventory of a business;*

(12) *the rules relating to the tax exemption enjoyed by certain government bodies in order to clarify the scope of its application;*

(13) *certain rules of an administrative nature, in particular those relating to assessments, penalties, objections and appeals, to provide that the determination of certain amounts may be made at the partnership level; and*

(14) *various technical amendments, including consequential and terminology-related amendments.*

*The bill amends the Act respecting the Ministère du Revenu to reflect the amendments made to the Taxation Act as regards certain rules concerning partnerships and to make other amendments similar to various amendments made to the Canada Income Tax Act by federal Bill C-28. In particular, the amendments concern*

(1) *the Minister's power to print out any book, register or other document kept on a storage medium other than paper and that has been examined or obtained by the Minister or of which the Minister has taken possession, including during an audit;*

(2) *the creation of new offences for obtaining or attempting to obtain a refund or credit without being entitled to it or for conspiring to obtain such a refund or credit; and*

*(3) recognition of the probative force of a print-out made of a document whose original storage medium is not paper or microfilm.*

*The bill also amends other legislation to reflect certain amendments made to the Taxation Act.*

**LEGISLATION AMENDED BY THIS BILL :**

- Mining Duties Act (R.S.Q., chapter D-15);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);
- Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1);
- Act to amend the Taxation Act and other legislative provisions (1997, chapter 31);
- Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85).

## Bill 29

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

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

#### MINING DUTIES ACT

1. (1) 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 and by section (*insert the number of the section in Bill 3 that amends section 1 of the Mining Duties Act*) of chapter (*insert the chapter number of Bill 3*) of the statutes of (*insert the year of assent to Bill 3*), is again amended

(1) by striking out the definition of “mining reclamation trust”;

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

““environmental trust” means an environmental trust, within the meaning of section 21.40 of the Taxation Act (chapter I-3) that is resident in Québec for the purposes of Part I of that Act;”.

(2) Paragraph 1 of subsection 1 has effect from 1 January 1998.

(3) Paragraph 2 of subsection 1 has effect from 13 May 1994. In addition, in the case of a trust that is referred to in subparagraph *j* of the second paragraph of section 21.40 of the Taxation Act (R.S.Q., chapter I-3), enacted by subsection 1 of section (*insert the number of the section in this Act that enacts section 21.40 of the Taxation Act*), the following rules apply :

(1) the trust is deemed, for the purposes of the Mining Duties Act, never to have been a mining reclamation trust ; and

(2) notwithstanding sections 43 and 43.0.1 of the Mining Duties Act, the Minister of Natural Resources must, under that Act and on or before 31 December 2001, make any re-determination of the duties, interest and penalties and, if any, of the annual profit, annual loss, credit on duties, deferrable credit on duties, allowable amount, adjusted annual loss, credit on duties refundable for losses and credit on duties for losses, and make any reassessment that is necessary for a fiscal year to give effect to this subsection.

2. (1) Section 8 of the said Act, amended by section 19 of chapter 85 of the statutes of 1997 and by section (*insert the number of the section in Bill 3 that amends section 8 of the Mining Duties Act*) of chapter (*insert the chapter number of Bill 3*) of the statutes of (*insert the year of assent to Bill 3*), is again amended

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

“(d) the lesser of the operator’s cumulative contributions account at the end of the fiscal year and the aggregate of all amounts each of which is an amount that relates to the reclamation of land that is a mining operation, and that is included, under paragraph *z* or *z.1* of section 87 of the Taxation Act (chapter I-3), in computing the operator’s income for the fiscal year for the purposes of that Act, in respect of an environmental trust under which the operator is a beneficiary;”;

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

“(k) the aggregate of all amounts each of which is an amount paid by the operator for the reclamation of land that is a mining operation, and that is deductible under paragraph *r* or *s* of section 157 of the Taxation Act in computing the operator’s income for the fiscal year for the purposes of that Act, in respect of an environmental trust under which the operator is a beneficiary.”

(2) Subsection 1 applies to fiscal years that end after 18 February 1997.

3. (1) Section 8.0.0.1 of the said Act is amended

(1) by replacing subparagraphs *a* to *c* of paragraph 1 by the following :

“(a) the aggregate of all amounts each of which is a contribution paid by the particular operator after 12 May 1994 and before that time to an environmental trust under which the particular operator is a beneficiary, for the reclamation of land that is a mining operation ;

“(b) the aggregate of all amounts each of which is the consideration paid by the particular operator after 12 May 1994 and before that time for the acquisition, from another person or partnership, of all or part of the particular operator’s interest as a beneficiary under an environmental trust maintained for the sole purpose of financing the reclamation of land that is a mining operation, other than consideration that is the assumption of a reclamation obligation in respect of the trust ;

“(c) the amount of the cumulative contributions account of an operator in respect of the environmental trust all or part of whose interest as a beneficiary is acquired by the particular operator as consideration for the assumption of a reclamation obligation, in respect of the trust, in relation to land that is a mining operation, determined immediately before the time of acquisition ; and” ;

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

“(b) the amount included in determining an operator’s cumulative contributions account, under subparagraph *c* of paragraph 1, because of the acquisition by the operator of all or part of the interest of the particular operator, as a beneficiary under an environmental trust.”

(2) Subsection 1 has effect from 19 February 1997.

## TAXATION ACT

4. (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, by section 4 of chapter 16 of the statutes of 1998 and by section (*insert the number of the section in Bill 3 that amends section 1 of the Taxation Act*) of chapter (*insert the chapter number of Bill 3*) of the statutes of (*insert the year of assent to Bill 3*), is again amended

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

““flow-through share” has the meaning assigned by section 359.1;”;

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

““majority interest partner” of a particular partnership at any time means a person or partnership, in paragraphs *a* and *b* referred to as the “taxpayer”,

(*a*) whose share of the particular partnership’s income from all sources for the fiscal period of the particular partnership that ended before that time or, if the particular partnership’s first fiscal period includes that time, for that fiscal period, would have exceeded 1/2 of the particular partnership’s income from all sources for that period if the taxpayer had held throughout that fiscal period each interest in the particular partnership that the taxpayer or a person affiliated with the taxpayer held at that time ; or

(*b*) whose share, together with the shares of every person with whom the taxpayer is affiliated, of the total amount that would be paid to all members of the particular partnership, otherwise than as a share of any income of the particular partnership, if it were wound up at that time exceeds 1/2 of that total amount;”;

(3) by replacing subparagraph iii of paragraph *b* of the definition of “specified tax consequence” by the following :

“iii. the corporation agreed in the calendar year preceding the particular calendar year to issue a flow-through share to a person or partnership;”;

(4) by replacing, in paragraph *e.1* of the definition of “cost amount”, the words “a mining reclamation trust” by the words “an environmental trust”;

(5) by striking out the definition of “mining reclamation trust”;

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

““cemetery care trust” has the meaning assigned by section 979.19;

““environmental trust” has the meaning assigned by section 21.40;”;

(7) by replacing the definition of “registered retirement income fund” by the following:

““registered retirement income fund” means a fund accepted as such by the Minister of Revenue of Canada for the purposes of the Income Tax Act and the registration of which is in force;”;

(8) by replacing the definition of “mineral” by the following:

““mineral” includes ammonite gemstone, coal, calcium chloride, kaolin, bituminous sands, oil shale and silica, but does not include petroleum, natural gas or other related hydrocarbons;”;

(9) by replacing the definition of “person” by the following:

““person”, or any word or expression descriptive of a person, includes any corporation, and any entity exempt, because of Book VIII, from tax under this Part and the legal representatives of such a person, according to the law of that part of Canada to which the context extends;”;

(10) by replacing, in the English text, paragraph *b* of the definition of “home relocation loan” by the following:

“(b) the loan is used to acquire a dwelling, or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a dwelling owned by the cooperative, where the dwelling is for the habitation of the individual and is the individual’s new residence;”;

(11) by replacing the definition of “scientific research and experimental development” by the following:

““scientific research and experimental development” has the meaning assigned by subsections 2 to 4 of section 222;”;

(12) by replacing the definition of “registered pension plan” by the following:

““registered pension plan” means a plan accepted as such by the Minister of Revenue of Canada for the purposes of the Income Tax Act and the registration of which is in force;”;

(13) by replacing, in the definition of “registered education savings plan”, “section 891” by “Title III of Book VII”;

(14) by replacing the definition of “registered retirement savings plan” by the following:

““registered retirement savings plan” means a plan accepted as such by the Minister of Revenue of Canada for the purposes of the Income Tax Act and the registration of which is in force;”;

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

““legal representative” of a taxpayer means a trustee in bankruptcy, an assignee, a receiver, a trustee, an heir, an administrator of the property of others, or any other like person, administering, winding up, controlling or otherwise dealing in a representative or fiduciary capacity with the property that belongs or belonged to, or that is or was held for the benefit of, the taxpayer or the taxpayer’s succession;”;

(16) by replacing paragraph *b* of the definition of “mineral resource” by the following:

“(b) ammonite gemstone, calcium chloride, diamond, gypsum, halite, kaolin or sylvite;”.

(2) Paragraph 1 of subsection 1 has effect from 1 December 1994.

(3) Paragraph 2 of subsection 1 has effect from 27 April 1995.

(4) Paragraph 3 of subsection 1 applies from the taxation year 1996.

(5) Paragraph 4 of subsection 1 has effect from 1 January 1996.

(6) Paragraphs 5 and 13 of subsection 1 have effect from 1 January 1998.

(7) Paragraph 6 of subsection 1, where it enacts the definition of “environmental trust” in section 1 of the said Act, has effect from 1 January 1992 and, where it enacts the definition of “cemetery care trust” in that section 1, has effect from 1 January 1993.

(8) Paragraphs 8 and 16 of subsection 1 apply to taxation years or fiscal periods that begin after 31 December 1996. However,

(1) the application of the definition of “mineral” in section 1 of the said Act, enacted by paragraph 8 of subsection 1, and of paragraph *b* of the definition of “mineral resource” in that section 1, enacted by paragraph 16 of subsection 1, shall not result in a characterization of expenditures made or costs incurred in a taxation year or fiscal period that began before 1 January 1997 as a Canadian exploration expense, Canadian development expense,

Canadian exploration and development expense or foreign exploration and development expense or an increase in any amount deductible under sections 360 and 361 of the said Act as a consequence of an expenditure made or cost incurred before 1 January 1997; and

(2) where, as a consequence of the application of the definition of “mineral” in section 1 of the said Act, enacted by paragraph 8 of subsection 1, and of paragraph *b* of the definition of “mineral resource” in that section 1, enacted by paragraph 16 of subsection 1, a person’s property would, but for this paragraph, be recharacterized as Canadian resource property or foreign resource property at the beginning of the person’s first taxation year or fiscal period that begins after 31 December 1996, for the purposes of the Act the property is deemed

(a) to have been disposed of by the person immediately before that time for proceeds of disposition equal to its cost amount to the person at that time, and

(b) to have been reacquired at that time by the person for the same amount.

(9) Paragraphs 9 and 15 of subsection 1 have effect from 18 June 1998.

(10) Paragraph 11 of subsection 1 applies in respect of work performed by a taxpayer after 27 February 1995, but, for the purposes of section 991 of the said Act, not in respect of such work performed pursuant to an agreement in writing made by the taxpayer before 28 February 1995.

5. (1) Section 2.2.1 of the said Act is amended, in the first paragraph,

(1) by replacing, in the portion before subparagraph *a*, the word “Part” by the word “Act”;

(2) by replacing subparagraph *a* by the following :

“(a) words referring to a spouse at any time of a taxpayer include the person of the opposite sex who cohabits at that time with the taxpayer in a conjugal relationship and has so cohabited with the taxpayer throughout a 12-month period ending before that time, or would be the father or mother of a child of whom the taxpayer would be the father or mother if the definition of “child” in section 1 were read without reference to paragraph *c* thereof and section 2 were read without reference to the words “or a person who is the father or mother of the taxpayer’s spouse”;

(2) Paragraph 1 of subsection 1 has effect from 1 January 1998.

(3) Paragraph 2 of subsection 1 has effect from 1 January 1993.

6. (1) Section 2.2.2 of the said Act is repealed.

(2) Subsection 1 has effect from 18 June 1998. In addition, where section 2.2.2 of the said Act, repealed by subsection 1, applies after 31 December 1996, it shall be read without reference to “, paragraph *c* of section 894”.

7. (1) Section 2.3 of the said Act is amended

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

“2.3. Where a document has been issued or a contract has been entered into before 31 July 1997 purporting to create, to establish, to extinguish or to be in substitution for, a taxpayer’s right to an amount or amounts, immediately or in the future, out of or under a pension plan, the following rules apply :

(*a*) where the rights provided for in the document or contract are rights provided for by the pension plan or are rights to a payment or payments out of the pension plan, and the taxpayer acquired an interest under the document or contract before that date, any payment under the document or contract is deemed to be a payment out of or under the pension plan and the taxpayer is deemed not to have received, on the issuance of the document or the entering into the contract, an amount out of or under a pension plan ; and” ;

(2) by replacing, in the French text of paragraph *b*, the words “l’émission” by the words “la délivrance”.

(2) Subsection 1 has effect from 31 July 1997.

8. (1) Section 11.4 of the said Act is replaced by the following :

“11.4. For the purposes of this Part, where a trust resident in Canada would be an environmental trust at any time if it were resident at that time in the province in which the site to which the trust relates is situated, the trust is deemed to be resident at that time in that province and in no other province.”

(2) Subsection 1 has effect from 1 January 1996.

9. (1) Section 19 of the said Act is amended

(1) by replacing subsection 3 by the following :

“(3) Where there has been an amalgamation or merger of two or more particular corporations and the new corporation formed as a result of the amalgamation or merger would have been related to any of the particular corporations immediately before the amalgamation or merger if the new corporation were in existence at that time, and if the persons who were the shareholders of the new corporation immediately after the amalgamation or merger were the shareholders of the new corporation at that time, the new corporation and that particular corporation shall be deemed to have been related persons.” ;

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

“(4) Where there has been an amalgamation or merger of two or more particular corporations each of which was related, otherwise than because of a right referred to in paragraph *b* of section 20, to each other immediately before the amalgamation or merger, the new corporation formed as a result of the amalgamation or merger and each of the particular corporations are deemed to have been related to each other.”

(2) Subsection 1 applies in respect of amalgamations and mergers that occur after 31 December 1996.

10. (1) Section 20 of the said Act, amended by section 14 of chapter 16 of the statutes of 1998, is again amended

(1) by replacing, in the French text, the portion before paragraph *a* by the following :

“20. Pour l’application des articles 19 et 21.19, les règles suivantes s’appliquent :”;

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

“(b) where at any time a person has a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently,

i. to, or to acquire, shares of the capital stock of a corporation or to control the voting rights of such shares, the person is, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the person owned the shares at that time,

ii. to cause a corporation to redeem, acquire or cancel any shares of its capital stock owned by other shareholders of the corporation, the person is, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the shares were so redeemed, acquired or cancelled by the corporation at that time,

iii. to, or to acquire or control, voting rights in respect of shares of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the person could exercise the voting rights at that time, or

iv. to cause the reduction of voting rights in respect of shares, owned by other shareholders, of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the voting rights were so reduced at that time ; and”.

(2) Subsection 1 has effect from 27 April 1995.

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

#### **“CHAPTER IV.1**

#### **“AFFILIATED PERSONS**

“21.0.1. In this chapter,

“affiliated group of persons” means a group of persons each member of which is affiliated with every other member of the group ;

“controlled” means controlled, directly or indirectly in any manner whatever ;

“majority interest group of partners” of a partnership means a group of persons each of whom has an interest in the partnership such that

(a) if one person held the interests of all members of the group, that person would be a majority interest partner of the partnership ; and

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

“21.0.2. For the purposes of this chapter, persons are affiliated with themselves, and a person includes a partnership.

“21.0.3. For the purposes of this Part, affiliated persons, or persons affiliated with each other, are

(a) an individual and a spouse of the individual ;

(b) a corporation and

i. a person by whom the corporation is controlled,

ii. each member of an affiliated group of persons by which the corporation is controlled, or

iii. a spouse of a person described in subparagraph i or ii ;

(c) two corporations, if

i. each corporation is controlled by a person, and the person by whom one corporation is controlled is affiliated with the person by whom the other corporation is controlled,

ii. one corporation is controlled by a person, the other corporation is controlled by a group of persons, and each member of that group is affiliated with that person, or

iii. each corporation is controlled by a group of persons, and each member of each group is affiliated with at least one member of the other group ;

(d) a corporation and a partnership, if the corporation is controlled by a particular group of persons each member of which is affiliated with at least one member of a majority interest group of partners of the partnership, and each member of that majority interest group is affiliated with at least one member of the particular group of persons ;

(e) a partnership and a majority interest partner of the partnership ; and

(f) two partnerships, if

i. the same person is a majority interest partner of both partnerships,

ii. a majority interest partner of one partnership is affiliated with each member of a majority interest group of partners of the other partnership, or

iii. each member of a majority interest group of partners of each partnership is affiliated with at least one member of a majority interest group of partners of the other partnership.

“21.0.4. Where at any time two or more particular corporations amalgamate or merge to form a new corporation, the new corporation and the particular corporations are deemed to have been persons affiliated with each other where they would have been affiliated with each other immediately before that time if the new corporation had existed immediately before that time and the shareholders of the new corporation immediately after that time had been the shareholders of the new corporation immediately before that time.”

(2) Subsection 1 has effect from 27 April 1995.

12. (1) Section 21.1 of the said Act is amended

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

“21.1. Sections 21.2 to 21.3.1 apply in respect of the control of a corporation for the purposes of sections 6.2, 21.2 to 21.3.1, 83.0.3, 93.3.1, 93.4, 106.4, 175.9, 222 to 230.0.0.2, 237 to 238.1, 308.0.1 to 308.6, 384,

384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, sections 564.2 to 564.4.2 and 727 to 737, paragraph *f* of section 772.13 and section 776.1.5.6.”;

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

“Section 21.4.1 applies in respect of the control of a corporation for the purposes of sections 6.2, 21.0.1 to 21.0.4, 83.0.3, 93.4, 222 to 230.0.0.2, 308.1, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, subparagraph *d* of the third paragraph of section 559, sections 560.1.2 and 727 to 737, paragraph *f* of section 772.13 and section 776.1.5.6.”

(2) Subsection 1 has effect from 27 April 1995, except where paragraph 1 of that subsection strikes out, in the first paragraph of section 21.1 of the said Act, the reference to section 518.2 of the said Act, in which case subsection 1 applies in respect of dispositions that occur after 25 March 1997.

(3) In addition, where the third paragraph of section 21.1 of the said Act, replaced by paragraph 2 of subsection 1, applies between 21 February 1994 and 27 April 1995, that third paragraph shall be read with “and sections” replaced by “; subparagraph *d* of the third paragraph of section 559 and sections 560.1.2,”.

13. (1) Section 21.2 of the said Act is replaced by the following :

“21.2. Where two or more corporations, each of which is referred to in this section as a “predecessor corporation”, have amalgamated to form one corporate entity, in this section referred to as the “new corporation”, the following rules apply :

(a) control of a corporation is deemed not to have been acquired by any person or group of persons solely because of the amalgamation unless it is deemed under paragraph *b* or *c* to have been so acquired ;

(b) a person or group of persons that controls the new corporation immediately after the amalgamation and did not control a predecessor corporation immediately before the amalgamation is deemed to have acquired immediately before the amalgamation control of the predecessor corporation and of each corporation it controlled immediately before the amalgamation, unless the person or group of persons would not have acquired control of the predecessor corporation if the person or group of persons had acquired all the shares of the predecessor corporation immediately before the amalgamation ; and

(c) control of a predecessor corporation and of each corporation it controlled immediately before the amalgamation is deemed to have been acquired immediately before the amalgamation by a person or group of persons

i. unless the predecessor corporation was related, otherwise than because of a right referred to in paragraph *b* of section 20, immediately before the amalgamation to each other predecessor corporation,

ii. unless, if one person had immediately after the amalgamation acquired all the shares of the new corporation's capital stock that the shareholders of the predecessor corporation, or of another predecessor corporation that controlled the predecessor corporation, acquired on the amalgamation in consideration for their shares of the predecessor corporation or of the other predecessor corporation, as the case may be, the person would have acquired control of the new corporation as a result of the acquisition of those shares, or

iii. unless this paragraph would, but for this subparagraph, deem control of each predecessor corporation to have been acquired on the amalgamation where the amalgamation is an amalgamation of

(1) two corporations, or

(2) two particular corporations and one or more other corporations that would, if all the shares of each other corporation's capital stock that were held immediately before the amalgamation by the particular corporations had been held by one person, have been controlled by that person.”

(2) Subsection 1 applies in respect of

(1) an amalgamation that occurred between 31 December 1992 and 27 April 1995 where the corporate entity formed by the amalgamation so elects on or before (*insert the date of the last day of the sixth month after the month in which this Act is assented to*); and

(2) amalgamations that occur after 26 April 1995, other than an amalgamation that occurs pursuant to a written agreement entered into on or before that date where the corporate entity formed by the amalgamation so elects on or before (*insert the date of the last day of the sixth month after the month in which this Act is assented to*).

14. (1) The said Act is amended by inserting, after section 21.2, the following section:

“21.2.1. Subject to section 21.3, where two or more persons, in this section referred to as the “transferors”, dispose of shares of the capital stock of a particular corporation in exchange for shares of the capital stock of another corporation, in this section referred to as the “acquiring corporation”, control of the acquiring corporation and of each corporation controlled by it immediately before the exchange is deemed to have been acquired at the time of the exchange by a person or group of persons unless

(a) the particular corporation and the acquiring corporation were related, otherwise than because of a right referred to in paragraph *b* of section 20, to each other immediately before the exchange; or

(b) if all the shares of the acquiring corporation's capital stock that were acquired by the transferors on the exchange were acquired at the time of the exchange by one person, the person would not control the acquiring corporation.”

(2) Subsection 1 applies in respect of exchanges that occur after 26 April 1995, other than an exchange that occurs pursuant to a written agreement entered into on or before that date.

15. (1) Section 21.3 of the said Act is amended

(1) by replacing, wherever they appear in the French text of paragraph *a*, the words “avec laquelle” by the words “à laquelle”;

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

“(b) the cancellation or redemption at any particular time of, or a change at any particular time in the terms or conditions of, shares of the particular corporation or of a corporation controlling the particular corporation, where each person and each member of each group of persons that controls the particular corporation immediately after the particular time was related, otherwise than because of a right referred to in paragraph *b* of section 20, to the particular corporation

i. immediately before the particular time, or

ii. immediately before the death of a person, where the shares were held immediately before the particular time by a succession that acquired the shares because of the person's death.”

(2) Paragraph 2 of subsection 1 applies from the taxation year 1994.

16. (1) The said Act is amended by inserting, after section 21.3, the following section:

“21.3.1. Where at a particular time shares of the capital stock of a particular corporation are disposed of to another corporation, in this section referred to as the “acquiring corporation”, for consideration that includes shares of the acquiring corporation's capital stock, control of the particular corporation and of each corporation controlled by it immediately before that time is deemed not to have been acquired by the acquiring corporation solely because of the disposition if

(a) immediately after the particular time, the acquiring corporation and the particular corporation are controlled by a person or group of persons who controlled the particular corporation immediately before the particular time, and did not, as part of the series of transactions or events that includes the disposition, cease to control the acquiring corporation; or

(b) all the shares of the particular corporation's capital stock are disposed of to the acquiring corporation for consideration that consists solely of shares of the acquiring corporation's capital stock and, immediately after the particular time,

i. the acquiring corporation is not controlled by any person or group of persons, and

ii. the fair market value of the shares of the capital stock of the particular corporation is not less than 95% of the fair market value of the aggregate of the assets of the acquiring corporation.”

(2) Subsection 1 has effect from 27 April 1995. However, where section 21.3.1 of the said Act, enacted by subsection 1, applies in respect of acquisitions of shares that occur before 20 June 1996 or pursuant to a written agreement entered into before 20 June 1996, that section shall be read with subparagraph ii of paragraph *b* replaced by the following :

“ii. all or substantially all of the fair market value of the shares of the acquiring corporation's capital stock is attributable to the shares acquired by it at the particular time.”

17. (1) Section 21.4 of the said Act is amended by replacing, in the French text of the first paragraph, the words “société et” by the words “société de personnes et”.

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

18. (1) Section 21.4.1 of the said Act is amended

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

“21.4.1. A taxpayer who, at a particular time, acquires a right referred to in paragraph *b* of section 20 in respect of a share of the capital stock of a corporation is deemed to be in the same position in relation to the control of the corporation as if the right were immediate and absolute and as if the taxpayer had exercised the right at the particular time, where it can reasonably be concluded that one of the main purposes of the acquisition of the right is”;

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

“(b) to avoid the application of Chapter IV.1, any of sections 83.0.3, 93.4, 225, 308.1, 384.4, 384.5, 560.1.2 and 736, paragraph *a* or *b* of section 736.0.2 and section 736.0.3.1 ; or”.

(2) Subsection 1 has effect from 27 April 1995. In addition, where paragraph *b* of section 21.4.1 of the said Act, replaced by paragraph 2 of subsection 1, applies between 21 February 1994 and 27 April 1995, that paragraph *b* shall be read with “560.1.2,” inserted after “384.5.”

19. (1) The said Act is amended by inserting, after section 21.4.1, the following section:

“21.4.1.1. For the purposes of sections 21.2 to 21.3.1 and 21.4.1, the following rules apply:

(a) a corporation incorporated without share capital is deemed to have a capital stock of a single class of shares;

(b) each member, policyholder and other participant in the corporation is deemed to be a shareholder of the corporation; and

(c) the membership, policy or other interest in the corporation of each of those participants is deemed to be the number of shares of the corporation’s capital stock that the Minister considers reasonable in the circumstances, having regard to the total number of participants in the corporation and the nature of their participation.”

(2) Subsection 1 has effect from 27 April 1995.

20. (1) Chapter XIII of Title II of Book I of Part I of the said Act is repealed.

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

21. (1) The said Act is amended by inserting, after section 21.39, the following:

#### **“CHAPTER XIV**

#### **“ENVIRONMENTAL TRUST**

“21.40. An environmental trust at any time means a trust resident in a province and maintained at that time for the sole purpose of funding the reclamation of a site in the province that is or has been used primarily for, or for any combination of, the operation of a mine, the extraction of clay, peat, sand, shale or aggregates, including dimension stone and gravel, or the deposit of waste where

(a) the maintenance of the trust is provided for, or may become provided for, pursuant to the terms of a contract entered into between the Government of Canada or of a province or pursuant to a law of Canada or the province and the contract was entered into or that law was enacted, as the case may be, on or before the later of 1 January 1996 and the day that is one year after the day on which the trust was created; and

(b) the trust is none of the trusts described in the second paragraph.

The trusts to which subparagraph *b* of the first paragraph refers are any of the following:

(*a*) a trust that relates at the time referred to in the first paragraph, in this paragraph referred to as the “particular time”, to the reclamation of a well;

(*b*) a trust that is not maintained at the particular time to secure the reclamation obligations of one or more persons or partnerships that are beneficiaries under the trust;

(*c*) a trust that at the particular time has a trustee other than the Government of Canada or of the province referred to in the first paragraph or a corporation resident in Canada that is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee;

(*d*) a trust that borrows money at the particular time;

(*e*) a trust that acquires at the particular time any property that is not described in any of paragraphs *a*, *b* and *f* of the definition of “qualified investment” in section 204 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

(*f*) a trust to which the first contribution was made before 1 January 1992;

(*g*) a trust from which any amount was distributed before 23 February 1994;

(*h*) if the particular time is before 1 January 1998, a trust, other than a mining reclamation trust at that time,

i. to which the first contribution was made before 1 January 1996,

ii. from which no amount was distributed before 19 February 1997, or

iii. any interest in which was disposed of before 19 February 1997;

(*i*) a trust not resident in Québec that is not a qualifying environmental trust for the purposes of the Income Tax Act because of an election made by it to that effect in accordance with paragraph *i* of the definition of “qualifying environmental trust” in subsection 1 of section 248 of that Act;

(*j*) a trust resident in Québec that elected in a notice in writing filed with the Minister on or before 31 December 1999 or on or before 1 April of the year following the year in which the first contribution to the trust was made, not to be an environmental trust; and

(*k*) a trust that was, at any time before the particular time but during its existence, not an environmental trust.”

(2) Subsection 1 has effect from 1 January 1992. In addition, in the case of a trust that is referred to in subparagraph *i* or *j* of the second paragraph of section 21.40 of the said Act, enacted by subsection 1, the following rules apply :

(1) the trust is deemed, for the purposes of the said Act, never to have been a mining reclamation trust ; and

(2) notwithstanding sections 1010 to 1011 of the said Act, the Minister of Revenue must, on or before 31 December 2001, make any assessment or reassessment of tax, interest and penalties under Part I of the said Act that is necessary for a taxation year to give effect to this subsection.

22. (1) The said Act is amended by inserting, after section 37.1, the following section :

“37.2. For the purposes of section 37, where an employer or former employer of an individual makes a top-up disability payment, within the meaning assigned by section 43.0.2, in respect of the individual, the payment is deemed not to be a benefit received or enjoyed by the individual.”

(2) Subsection 1 applies in respect of payments made after 10 August 1994.

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

“43.0.1. For the purposes of section 43, where an employer or former employer of an individual makes a top-up disability payment in respect of the individual, the following rules apply :

(a) the payment is deemed not to be a contribution made by the employer or former employer to or under the insurance plan of which the disability policy in respect of which the payment is made is or was a part ; and

(b) if the payment is made to the individual, it is deemed to be an amount received by the individual pursuant to the insurance plan referred to in paragraph *a*.

“43.0.2. In section 43.0.1 and in this section,

“disability policy” means a group disability insurance policy that provides for periodic payments to individuals in respect of the loss of remuneration from an office or employment ;

“top-up disability payment” in respect of an individual means a payment made by an employer or former employer of the individual as a consequence of the insolvency of an insurer that was obligated to make payments to the individual under a disability policy where

(a) the payment is made to an insurer so that periodic payments made to the individual under the disability policy will not be reduced because of the insolvency, or will be reduced by a lesser amount; or

(b) the payment is made to the individual to replace, in whole or in part, periodic payments that would have been made under the disability policy to the individual but for the insolvency and the payment is made under an agreement by which the individual is required to reimburse the payment to the extent that the individual subsequently receives an amount from an insurer in respect of the portion of the periodic payments that the payment was intended to replace.

For the purposes of paragraphs *a* and *b* of the definition of “top-up disability payment” in the first paragraph, an insurance policy that replaces a disability policy is deemed to be the same policy as, and a continuation of, the disability policy that was replaced.”

(2) Subsection 1 applies in respect of payments made after 10 August 1994.

24. (1) Section 78.1 of the said Act, amended by section (*insert the number of the section in Bill 3 that amends section 78.1 of the Taxation Act*) of chapter (*insert the chapter number of Bill 3*) of the statutes of (*insert the year of assent to Bill 3*), is again amended by replacing the first paragraph by the following:

“78.1. An individual may deduct an amount paid by or on behalf of the individual in the year pursuant to an agreement, other than an agreement described in paragraph *b* of the definition of “top-up disability payment” in the first paragraph of section 43.0.2, under which the individual is required to reimburse any amount paid to the individual for a period throughout which the individual did not perform the duties of the individual’s office or employment, to the extent that the amount so paid to the individual for the period was included in computing the individual’s income for the year from an office or employment.”

(2) Subsection 1 applies in respect of agreements entered into after 10 August 1994. However, where the first paragraph of section 78.1 of the said Act, enacted by subsection 1, applies in respect of reimbursements made in a taxation year preceding the taxation year 1998, it shall be read without reference to the words “for the year” after the words “the individual’s income”.

25. (1) The said Act is amended by inserting, after section 78.1, the following section:

“78.1.1. An individual may deduct the amount determined in respect of the individual for the year under the second paragraph where, as a consequence of the receipt of an amount, in this section referred to as the “deferred amount”, from an insurer, an amount is reimbursed by or on behalf of the individual to an employer or former employer of the individual pursuant to an

agreement described in paragraph *b* of the definition of “top-up disability payment” in the first paragraph of section 43.0.2, and the reimbursement is made

(a) in the year, other than within the first 60 days of the year if the deferred amount was received in the preceding taxation year; or

(b) within 60 days after the end of the year, if the deferred amount was received in the year.

The amount to which the first paragraph refers in respect of an individual for the year is the lesser of

(a) the amount included under section 43 in respect of the deferred amount in computing the individual’s income for any taxation year; and

(b) the amount of the reimbursement referred to in the first paragraph in respect of the individual for the year.”

(2) Subsection 1 applies in respect of amounts reimbursed after 10 August 1994.

26. (1) Section 83 of the said Act is replaced by the following:

“83. For the purpose of computing a taxpayer’s income for a taxation year from a business that is not an adventure or concern in the nature of trade, property described in an inventory shall be valued at the end of the year at the cost at which the taxpayer acquired the property or its fair market value at the end of the year, whichever is lower, or in a prescribed manner.”

(2) Subsection 1 applies to taxation years that end after 20 December 1995. In addition, it applies, in respect of a business that is an adventure or concern in the nature of trade,

(1) to taxation years of a taxpayer that end before 21 December 1995, except where

(a) the taxpayer’s filing-due date for the year is after 20 December 1995, or

(b) the taxpayer has valued the inventory of the business for the purpose of computing income for the year from the business at an amount that is less than the cost at which the taxpayer acquired the property, which valuation has been taken into account in a fiscal return filed under Part I of the said Act before 21 December 1995 or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date; and

(2) to fiscal periods of a partnership that end before 21 December 1995, except where

(a) the filing-due dates of all of the members of the partnership for their taxation years that include the end of the fiscal period are after 20 December 1995, or

(b) the partnership has valued the inventory of the business for the purpose of computing income for the fiscal period from the business at an amount that is less than the cost at which the partnership acquired the property, which valuation has been taken into account in a fiscal return filed under Part I of the said Act before 21 December 1995 by any member of the partnership or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date by any member of the partnership.

27. (1) The said Act is amended by inserting, after section 83, the following sections:

“83.0.1. For the purpose of computing a taxpayer’s income from a business that is an adventure or concern in the nature of trade, property described in an inventory shall be valued at the cost at which the taxpayer acquired the property.

“83.0.2. Where, at the end of a taxpayer’s taxation year that is the last year for which property described in an inventory of a business that is an adventure or concern in the nature of trade was valued in accordance with section 83, the property was valued at an amount that is less than the cost at which the taxpayer acquired the property, after that time the cost to the taxpayer at which the property was acquired is, subject to section 83.0.3, deemed to be equal to that amount.

“83.0.3. Notwithstanding section 83.0.1, property described in an inventory of a corporation’s business that is an adventure or concern in the nature of trade at the end of the corporation’s taxation year that ends immediately before the time at which control of the corporation is acquired by a person or group of persons shall be valued at the cost at which the corporation acquired the property, or its fair market value at the end of the year, whichever is lower, and, after that time, the cost at which the corporation acquired the property is deemed to be equal to that lower amount.”

(2) Subsection 1 applies to taxation years that end after 20 December 1995. In addition, it applies, in respect of a business that is an adventure or concern in the nature of trade,

(1) to taxation years of a taxpayer that end before 21 December 1995, except where

(a) the taxpayer’s filing-due date for the year is after 20 December 1995, or

(b) the taxpayer has valued the inventory of the business for the purpose of computing income for the year from the business at an amount that is less than the cost at which the taxpayer acquired the property, which valuation has been

taken into account in a fiscal return filed under Part I of the said Act before 21 December 1995 or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date; and

(2) to fiscal periods of a partnership that end before 21 December 1995, except where

(a) the filing-due dates of all of the members of the partnership for their taxation years that include the end of the fiscal period are after 20 December 1995, or

(b) the partnership has valued the inventory of the business for the purpose of computing income for the fiscal period from the business at an amount that is less than the cost at which the partnership acquired the property, which valuation has been taken into account in a fiscal return filed under Part I of the said Act before 21 December 1995 by any member of the partnership or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date by any member of the partnership.

28. (1) Section 83.1 of the said Act is replaced by the following :

“83.1. For the purposes of sections 83, 83.0.1 and 83.0.3, where land is described in an inventory of a business of a taxpayer, the cost at which the taxpayer acquired the land shall include each amount that

(a) is the amount of an expense referred to in the first paragraph of section 164, in respect of the land and for which no deduction is permitted to the taxpayer, or to another person or partnership that is

i. a person or partnership with whom or with which the taxpayer does not deal at arm’s length,

ii. if the taxpayer is a corporation, a person or partnership that is a specified shareholder of the taxpayer, or

iii. if the taxpayer is a partnership, a person or partnership whose share of any income or loss of the taxpayer is 10% or more; and

(b) is not included in or added to the cost to that other person or partnership of any property otherwise than because of paragraph *e.1* of section 255 or subparagraph *xi* of paragraph *i* of that section.”

(2) Subsection 1 applies to taxation years that end after 20 December 1995. In addition, it applies, in respect of a business that is an adventure or concern in the nature of trade,

(1) to taxation years of a taxpayer that end before 21 December 1995, except where

(a) the taxpayer's filing-due date for the year is after 20 December 1995, or

(b) the taxpayer has valued the inventory of the business for the purpose of computing income for the year from the business at an amount that is less than the cost at which the taxpayer acquired the property, which valuation has been taken into account in a fiscal return filed under Part I of the said Act before 21 December 1995 or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date; and

(2) to fiscal periods of a partnership that end before 21 December 1995, except where

(a) the filing-due dates of all of the members of the partnership for their taxation years that include the end of the fiscal period are after 20 December 1995, or

(b) the partnership has valued the inventory of the business for the purpose of computing income for the fiscal period from the business at an amount that is less than the cost at which the partnership acquired the property, which valuation has been taken into account in a fiscal return filed under Part I of the said Act before 21 December 1995 by any member of the partnership or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date by any member of the partnership.

29. (1) Section 84.1 of the said Act is replaced by the following:

“84.1. Where property described in an inventory of a taxpayer's business that is not an adventure or concern in the nature of trade is valued at the end of a taxation year in accordance with a method permitted under sections 83 to 85.6, that method shall, subject to section 85.5, be used in the valuation of property described in the inventory of that business at the end of the following taxation year for the purpose of computing the taxpayer's income from the business unless the taxpayer, with the concurrence of the Minister and on any terms and conditions that are specified by the Minister, adopts another method permitted under those sections.”

(2) Subsection 1 applies to taxation years that end after 20 December 1995. In addition, it applies, in respect of a business that is an adventure or concern in the nature of trade,

(1) to taxation years of a taxpayer that end before 21 December 1995, except where

(a) the taxpayer's filing-due date for the year is after 20 December 1995, or

(b) the taxpayer has valued the inventory of the business for the purpose of computing income for the year from the business at an amount that is less than the cost at which the taxpayer acquired the property, which valuation has been taken into account in a fiscal return filed under Part I of the said Act before

21 December 1995 or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date; and

(2) to fiscal periods of a partnership that end before 21 December 1995, except where

(a) the filing-due dates of all of the members of the partnership for their taxation years that include the end of the fiscal period are after 20 December 1995, or

(b) the partnership has valued the inventory of the business for the purpose of computing income for the fiscal period from the business at an amount that is less than the cost at which the partnership acquired the property, which valuation has been taken into account in a fiscal return filed under Part I of the said Act before 21 December 1995 by any member of the partnership or has been the subject of a notice of objection served on the Minister of Revenue or a notice of appeal filed before that date by any member of the partnership.

30. (1) Section 87 of the said Act, amended by section 49 of chapter 85 of the statutes of 1997, by section 81 of chapter 16 of the statutes of 1998 and by section (*insert the number of the section in Bill 3 that amends section 87 of the Taxation Act*) of chapter (*insert the chapter number of Bill 3*) of the statutes of (*insert the year of assent to Bill 3*), is again amended by replacing paragraphs z to z.2 by the following:

“(z) any amount received by the taxpayer in the year as a beneficiary under an environmental trust, whether or not the amount is included because of section 692.1 in computing the taxpayer’s income for any taxation year;

“(z.1) the consideration received by the taxpayer in the year for the disposition to another person or partnership of all or part of the taxpayer’s interest as a beneficiary under an environmental trust, other than consideration that is the assumption of a reclamation obligation in respect of the trust;

“(z.2) any amount required because of section 485.13 to be included in computing the taxpayer’s income for the year;”.

(2) Subsection 1, where it enacts paragraphs z and z.1 of section 87 of the said Act, applies to taxation years that end after 18 February 1997.

(3) Subsection 1, where it enacts paragraph z.2 of section 87 of the said Act, applies to taxation years that end after 21 February 1994.

31. (1) Sections 93.1 to 93.3 of the said Act are replaced by the following:

“93.1. For the purposes of subparagraph iv of paragraph e of section 93 and of Title IV, sections 93.2 and 93.3 apply, notwithstanding sections 99 and 251, where at any particular time in a taxation year a taxpayer disposes of a building of a prescribed class and the proceeds of disposition of the building determined without reference to this section and sections 93.2 to 93.3.1 are

less than the lesser of the cost amount and the capital cost to the taxpayer of the building immediately before the disposition.

“93.2. Where in the taxation year referred to in section 93.1 the taxpayer or a person with whom the taxpayer does not deal at arm’s length disposes of the land adjacent to, or immediately contiguous to and necessary for the use of, the building, the following rules apply :

(a) the proceeds of disposition of the building are deemed to be equal to the lesser of

i. the amount by which the aggregate of the fair market value of the building at the particular time referred to in section 93.1 and the fair market value of the land immediately before its disposition exceeds the lesser of

(1) the fair market value of the land immediately before its disposition, and

(2) the amount by which the cost amount to the vendor of the land, determined without reference to this section and sections 93.1 and 93.3, exceeds the aggregate of the capital gains, determined without reference to subparagraph *b* of the first paragraph and the second paragraph of section 234, in respect of dispositions of the land within three years before the particular time by the taxpayer or by a person with whom the taxpayer was not dealing at arm’s length to the taxpayer or to another person with whom the taxpayer was not dealing at arm’s length, and

ii. the greater of the fair market value of the building at the particular time and the lesser of the cost amount and the capital cost to the taxpayer of the building immediately before its disposition ;

(b) notwithstanding any other provision of this Part, the proceeds of disposition of the land are deemed to be equal to the amount by which the aggregate of the proceeds of disposition of the building and of the land determined without reference to this section and sections 93.1, 93.3 and 93.3.1 exceeds the proceeds of disposition of the building as determined under paragraph *a* ; and

(c) the cost to the purchaser of the land shall be determined without reference to this section and sections 93.1 and 93.3.

“93.3. Where section 93.2 does not apply with respect to the disposition referred to in section 93.1 and, before the disposition, the taxpayer or a person with whom the taxpayer did not deal at arm’s length owned the land adjacent to, or immediately contiguous to and necessary for the use of, the building, the proceeds of disposition of the building are deemed to be equal to the aggregate of the proceeds of disposition of the building determined without reference to this section and sections 93.1, 93.2 and 93.3.1, and 1/4 of the amount by which the greater of the cost amount to the taxpayer of the building immediately before its disposition and the fair market value of the building immediately

before its disposition exceeds the proceeds of disposition of the building determined without reference to this section and sections 93.1, 93.2 and 93.3.1.”

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.

32. (1) The said Act is amended by inserting, after section 93.3, the following section :

“93.3.1. The rules in the second paragraph apply where

(a) a corporation, trust or partnership, in this section referred to as the “transferor”, disposes at a particular time, otherwise than in a disposition described in any of paragraphs *a* to *e* of section 238, of a particular depreciable property of a particular prescribed class of the transferor ;

(b) the lesser of the following amounts exceeds the amount that would otherwise be the transferor’s proceeds of disposition of the particular property at the particular time :

i. the capital cost to the transferor of the particular property, and

ii. the proportion of the undepreciated capital cost to the transferor of all property of the particular class immediately before the particular time that the fair market value of the particular property at the particular time is of the fair market value of all property of the particular class immediately before the particular time ; and

(c) on the thirtieth day after the particular time, a particular person or partnership, who is the transferor or a person affiliated with the transferor, owns or has a right to acquire the particular property, other than a right, as security only, derived from a mortgage, agreement of sale or similar obligation.

The rules to which the first paragraph refers are as follows :

(a) sections 518 to 533 and 614 to 617 do not apply in respect of the disposition of the particular property ;

(b) for the purpose of applying this division, sections 130 and 130.1 and any regulations made for the purposes of paragraph *a* of section 130 in respect of the transferor for taxation years that end after the particular time,

i. the transferor is deemed to have disposed of the particular property for proceeds of disposition equal to the lesser of the amounts determined in subparagraphs i and ii of subparagraph *b* of the first paragraph with respect to the particular property,

ii. where two or more properties of a prescribed class of the transferor are disposed of at the same time, subparagraph i applies in their respect as if each

property so disposed of had been separately disposed of in the order designated by the transferor or, if the transferor does not designate an order, in the order designated by the Minister,

iii. the transferor is deemed to own a property that was acquired before the beginning of the taxation year that includes the particular time at a capital cost equal to the amount of the excess described in subparagraph *b* of the first paragraph with respect to the particular property, and that is property of the particular class, until the time that is immediately before the first time, after the particular time,

(1) at which a 30-day period begins throughout which neither the transferor nor a person affiliated with the transferor owns or has a right to acquire the particular property, other than a right, as security only, derived from a mortgage, agreement of sale or similar obligation,

(2) at which the particular property is not used by the transferor or a person affiliated with the transferor for the purpose of earning income and is used for another purpose,

(3) at which the particular property would, if it were owned by the transferor, be deemed under section 785.1, 785.2 or 999.1 to have been disposed of by the transferor,

(4) that is immediately before control of the transferor is acquired by a person or group of persons, where the transferor is a corporation, or

(5) at which the winding-up of the transferor begins, other than a winding-up referred to in section 556, where the transferor is a corporation, and

iv. the property described in subparagraph iii is considered to have become available for use by the transferor at the time at which the particular property is considered to have become available for use by the particular person or partnership referred to in subparagraph *c* of the first paragraph ;

(c) for the purposes of subparagraphs iii and iv of subparagraph *b*, where a partnership otherwise ceases to exist at any time after the particular time,

i. the partnership is deemed not to have ceased to exist until the time that is immediately after the first time described in subparagraphs 1 to 5 of subparagraph iii of subparagraph *b*, and

ii. each person who was a member of the partnership immediately before the partnership would, but for this subparagraph *c*, have ceased to exist is deemed to remain a member of the partnership, until the time that is immediately after the first time described in subparagraphs 1 to 5 of subparagraph iii of subparagraph *b*; and

(d) for the purpose of applying this division, sections 130 and 130.1 and any regulations made for the purposes of paragraph *a* of section 130 in respect

of the particular person or partnership referred to in subparagraph *c* of the first paragraph,

i. that person's or partnership's capital cost of the particular property is deemed to be equal to the amount that was the transferor's capital cost of that property, and

ii. the amount by which the transferor's capital cost of the particular property exceeds its fair market value at the particular time is deemed to have been allowed as depreciation to the particular person or partnership in respect of property of the prescribed class that includes that property for taxation years ending before the particular time."

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995. However, where a property is disposed of between 26 April 1995 and 20 June 1996 and the person, trust or partnership that disposes of the property makes an election in writing which must be filed with the Minister of Revenue on or before (*insert the date of the last day of the third month after the month in which this Act is assented to*), the portion of subparagraph iii of subparagraph *b* of the second paragraph of section 93.3.1 of the said Act before subparagraph 1, enacted by subsection 1, shall be read with "a separate prescribed class that is the same as" inserted after "that is property of".

33. (1) Sections 93.4 and 93.5 of the said Act are replaced by the following :

"93.4. For the purposes of subparagraph i of paragraph *e* of section 93, where control of a corporation has been acquired at a particular time by a person or group of persons and, within the 12-month period that ended immediately before that time, the corporation or a partnership of which it was a majority interest partner acquired depreciable property that was not used, or acquired for use, by the corporation or partnership in a business that was carried on by it immediately before the 12-month period began,

(*a*) the property is, subject to subparagraph *b*, deemed to have been acquired by the corporation or partnership immediately after the particular time and not to have been acquired by it before the particular time; and

(*b*) where the property was disposed of by the corporation or partnership before the particular time and was not reacquired by it before that time, the property is deemed to have been acquired by the corporation or partnership immediately before the property was disposed of.

However, the first paragraph does not apply in the case of an acquisition of property that was owned by the corporation or partnership or by a person that would, but for the definition of "controlled" in section 21.0.1, have been affiliated with the corporation throughout the period that began immediately before the 12-month period referred to in the first paragraph began and ended at the time the property was acquired by the corporation or partnership.

“93.5. For the purposes of section 93.4, where a corporation referred to in that section was incorporated or otherwise formed in the 12-month period, the corporation is deemed to have been

(a) in existence throughout the period that began immediately before the 12-month period and ended immediately after it was incorporated or otherwise formed; and

(b) affiliated, throughout the period referred to in paragraph *a*, with every person with whom it was affiliated, otherwise than because of a right referred to in paragraph *b* of section 20, throughout the period that began when it was incorporated or otherwise formed and ended immediately before its control is acquired.”

(2) Subsection 1 applies in respect of acquisitions of control that occur after 26 April 1995.

34. (1) Section 99 of the said Act, amended by section 86 of chapter 16 of the statutes of 1998, is again amended by replacing the portion of paragraph *d.2* before subparagraph *i* by the following :

“(d.2) where a corporation is deemed under subparagraph *c* of the second paragraph of section 736 to have disposed of and reacquired depreciable property, other than a timber resource property, the capital cost to the corporation of the property at the time of the reacquisition is deemed to be the amount that is equal to the aggregate of”.

(2) Subsection 1 has effect from 27 April 1995.

35. (1) Section 105 of the said Act is amended by replacing subparagraph *ii* of paragraph *a* by the following :

“ii. the amount determined by the formula in section 105.2 shall be included in computing the taxpayer’s income from the business for the year; and”.

(2) Subsection 1 applies to fiscal periods that end after 22 February 1994, otherwise than solely because of an election under subsection 1 of section 190 of the said Act.

36. (1) The said Act is amended by inserting, after section 105.2, the following section :

“105.3. For the purposes of Title VI.5 of Book IV and of paragraph *b* of section 28 as it applies for the purposes of that Title, an amount included under subparagraph *ii* of paragraph *a* of section 105 in computing a taxpayer’s income for a particular taxation year from a business is deemed to be a taxable capital gain of the taxpayer for the year from the disposition in the year of qualified farm property, within the meaning of section 726.6, to the extent of the lesser of

(a) the amount included under subparagraph ii of paragraph *a* of section 105 in computing the taxpayer's income for the particular year from the business; and

(b) the amount determined by the formula

A – B.

In the formula provided for in subparagraph *b* of the first paragraph,

(a) A is 3/4 of the amount determined in respect of the taxpayer for the particular year equal to the amount by which

i. the aggregate of all amounts each of which is the taxpayer's proceeds from a disposition in the particular year or a preceding taxation year that begins after 31 December 1987 of an intangible capital property in respect of the business that, at the time of disposition, was a qualified farm property of the taxpayer, exceeds

ii. the aggregate of all amounts each of which is

(1) an intangible capital amount of the taxpayer in respect of the business payable or disbursed in relation to a qualified farm property disposed of by the taxpayer in the particular year or a preceding taxation year that begins after 31 December 1987, or

(2) an outlay or expense of the taxpayer that was not deductible in computing the taxpayer's income and was made or incurred for the purpose of making a disposition referred to in subparagraph i; and

(b) B is the aggregate of all amounts each of which is

i. that portion of an amount deemed under subparagraph ii of paragraph *a* of section 105, as it applied in respect of the business to a fiscal period that begins after 31 December 1987 and ends before 23 February 1994, to be a taxable capital gain of the taxpayer that may reasonably be attributed to a disposition of a qualified farm property of the taxpayer, or

ii. an amount deemed under this division to be a taxable capital gain of the taxpayer for a taxation year preceding the particular year from the disposition of qualified farm property of the taxpayer.”

(2) Subsection 1 applies to fiscal periods that end after 22 February 1994, otherwise than solely because of an election under subsection 1 of section 190 of the said Act.

37. (1) The said Act is amended by inserting, after section 106.3, the following section:

“106.4. The rules in the second paragraph apply where

(a) a corporation, trust or partnership, in this section referred to as the “transferor”, disposes of a particular intangible capital property in respect of a business of the transferor in respect of which it would, but for this section, be permitted a deduction under paragraph *a* of section 188 as a consequence of the disposition;

(b) during the period that begins 30 days before and ends 30 days after the time of disposition, the transferor or a person affiliated with the transferor acquires a property, in this section referred to as the “substituted property”, that is, or is identical to, the particular intangible capital property; and

(c) at the end of the 30 days following the time of disposition, the transferor or a person or partnership affiliated with the transferor owns the substituted property.

The rules to which the first paragraph refers are as follows:

(a) for the purposes of this division and sections 130, 188 and 189, the transferor is deemed to continue to own intangible capital property in respect of the business until the particular time that is immediately before the first time, after the time of disposition,

i. at which a 30-day period begins throughout which neither the transferor nor a person affiliated with the transferor owns the substituted property, or a property that is identical to the substituted property and that was acquired after the day that is 31 days before the period begins,

ii. at which the substituted property is not intangible capital property in respect of a business carried on by the transferor or a person affiliated with the transferor,

iii. at which the substituted property would, if it were owned by the transferor, be deemed under section 785.1, 785.2 or 999.1 to have been disposed of by the transferor,

iv. that is immediately before control of the transferor is acquired by a person or group of persons, where the transferor is a corporation, or

v. at which the winding-up of the transferor begins, other than a winding-up referred to in section 556, where the transferor is a corporation;

(b) for the purposes of this division and sections 130, 188 and 189, the transferor is deemed not to have ceased to carry on the business before the particular time referred to in subparagraph *a*; and

(c) for the purposes of the first paragraph and subparagraphs *a* and *b*,

i. a right to acquire a property, other than a right, as security only, derived from a mortgage, agreement of sale or similar obligation, is deemed to be a property that is identical to the property, and

ii. where a partnership otherwise ceases to exist at any time after the time of disposition,

(1) the partnership is deemed not to have ceased to exist until the time that is immediately after the first time described in subparagraphs i to v of subparagraph *a*, and

(2) each person who, immediately before the partnership would, but for this subparagraph ii, have ceased to exist, was a member of the partnership is deemed to remain a member of the partnership, until the time that is immediately after the first time described in subparagraphs i to v of subparagraph *a*.”

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.

38. (1) Section 114 of the said Act, amended by section 330 of chapter 85 of the statutes of 1997 and by section (*insert the number of the section in Bill 3 that amends section 114 of the Taxation Act*) of chapter (*insert the chapter number of Bill 3*) of the statutes of (*insert the year of assent to Bill 3*), is again amended

(1) by replacing, in the second paragraph, the portion before subparagraph *a* by the following :

“Section 113 does not apply if the conditions set out in the third paragraph are met and the loan was made or the indebtedness arose”;

(2) by replacing, in subparagraph *a* of the second paragraph, the words “an automobile” by the words “a motor vehicle”;

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

“(a.1) in respect of a person who is an individual and an employee of the lender or creditor but not a specified employee of the lender or creditor;”;

(4) by replacing, in the English text, subparagraph *c* of the second paragraph by the following :

“(c) in respect of a person who is an employee of the lender or creditor or who is the spouse of an employee of the lender or creditor to enable or assist the person to acquire a dwelling or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a dwelling owned by the cooperative, where the dwelling is for the person’s habitation.”;

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

“The conditions to which the second paragraph refers are as follows :

(a) at the time the loan was made or the indebtedness arose, *bona fide* arrangements were made for repayment of the loan or debt within a reasonable time; and

(b) it is reasonable to conclude that the employee or the employee's spouse received the loan, or became indebted, because of the employee's employment and not because of any person's share-holdings."

(2) Paragraphs 1 and 5 of subsection 1 apply in respect of loans made or indebtedness arising after 25 April 1995.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of loans made or indebtedness arising in a taxation year that ends after 31 December 1989.

39. (1) The said Act is amended by inserting, after section 114, the following section:

"114.1. Section 113 does not apply to a loan made or a debt that arose in respect of a trust where

(a) the lender or creditor is a private corporation;

(b) the corporation is the settlor and sole beneficiary of the trust;

(c) the sole purpose of the trust is to facilitate the purchase and sale of the shares of the corporation, or of another corporation related to the corporation, for an amount equal to their fair market value at the time of the purchase or sale, as the case may be, from or to the employees of the corporation or of the related corporation, other than employees who are specified employees of the corporation or of another corporation related to the corporation, as the case may be; and

(d) at the time the loan was made or the indebtedness arose, *bona fide* arrangements were made for repayment of the loan or debt within a reasonable time."

(2) Subsection 1 applies in respect of loans made or indebtedness arising in a taxation year that ends after 31 December 1989. However, where section 114.1 of the said Act, enacted by subsection 1, applies in respect of loans made or indebtedness arising before 20 June 1996, paragraph c of that section shall be read without reference to " , other than employees who are specified employees of the corporation or of another corporation related to the corporation".

40. (1) The said Act is amended by inserting, after section 116, the following section:

"116.1. For the purposes of this division, an individual who is an employee of a partnership is deemed to be a specified employee of the partnership where the individual is a specified shareholder of one or more

corporations that, in total, are entitled, directly or indirectly, to a share of any income or loss of the partnership, which share is not less than 10% of the income or loss.”

(2) Subsection 1 applies in respect of loans made or indebtedness arising in a taxation year that ends after 31 December 1989.

41. (1) Sections 119.2 and 119.15 of the said Act are amended by striking out the definition of “majority interest partner”.

(2) Subsection 1 has effect from 27 April 1995.

42. (1) Section 147 of the said Act is amended, in subparagraph *a* of the second paragraph,

(1) by replacing “the particular year or within 60 days thereafter” by “the year that follows the particular year”;

(2) by striking out “within the meaning of section 359.1”.

(2) Paragraph 1 of subsection 1 has effect from 1 January 1997.

(3) Paragraph 2 of subsection 1 has effect from 1 December 1994.

43. (1) Section 157 of the said Act, amended by section 93 of chapter 16 of the statutes of 1998, is again amended by replacing paragraphs *r* and *s* by the following :

“(r) a contribution made in the year by the taxpayer to an environmental trust under which the taxpayer is a beneficiary ;

“(s) the consideration paid by the taxpayer in the year for the acquisition from another person or partnership of all or part of the taxpayer’s interest as a beneficiary under an environmental trust, other than consideration that is the assumption of a reclamation obligation in respect of the trust ; and”.

(2) Subsection 1 applies to taxation years that end after 18 February 1997. In addition, for the purposes of paragraph *r* of section 157 of the said Act, enacted by subsection 1, each contribution made by a taxpayer to a trust, other than a mining reclamation trust within the meaning of section 21.39 of the said Act, after 31 December 1995 and before 19 February 1997, is deemed to have been made on 19 February 1997.

44. (1) Section 175.2 of the said Act is amended by adding, after paragraph *d.2*, the following paragraph :

“(d.3) making a contribution to a registered education savings plan.”

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

45. (1) Section 175.7 of the said Act is replaced by the following:

“175.7. Section 175.9 applies, subject to section 851.22.28, where

(a) a taxpayer, in this section and section 175.9 referred to as the “transferor”, disposes of a particular property;

(b) the disposition is not described in any of paragraphs *a* to *e* of section 238;

(c) the transferor is not an insurer;

(d) the ordinary business of the transferor includes the lending of money and the particular property was used or held in the course of that business;

(e) the particular property is a share, or a loan, bond, debenture, note, obligation secured by mortgage, agreement of sale or any other indebtedness;

(f) the particular property was, immediately before the disposition, not a capital property of the transferor;

(g) during the period that begins 30 days before and ends 30 days after the time of disposition, the transferor or a person affiliated with the transferor acquires a property, in this section and section 175.9 referred to as the “substituted property”, that is, or is identical to, the particular property; and

(h) at the end of the 30 days following the time of disposition, the transferor or a person affiliated with the transferor owns the substituted property.”

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995, other than a disposition that occurred before 1 July 1995 to which section 851.22.28 of the said Act does not apply or would not apply if the disposition had occurred after 30 June 1995.

46. (1) The said Act is amended by inserting, after section 175.7, the following sections:

“175.8. Section 175.9 also applies where

(a) a person, in this section and section 175.9 referred to as the “transferor”, disposes of a particular property;

(b) the particular property is described in an inventory of a business that is an adventure or concern in the nature of trade;

(c) the disposition is not a disposition that is deemed to have occurred under any of sections 436, 440, 444, 450, 450.6, 653, 785.1 and 785.2, paragraph *f* of section 785.5, or section 832.1 or 999.1;

(d) during the period that begins 30 days before and ends 30 days after the time of disposition, the transferor or a person affiliated with the transferor

acquires property, in this section and section 175.9 referred to as the “substituted property”, that is, or is identical to, the particular property; and

(e) at the end of the 30 days following the time of disposition, the transferor or a person affiliated with the transferor owns the substituted property.

“175.9. If this section applies because of section 175.7 or 175.8 in respect of a disposition of a particular property,

(a) the transferor’s loss from the disposition is deemed to be nil; and

(b) the transferor’s loss from the disposition, determined without reference to this section, is deemed to be a loss of the transferor from a disposition of the particular property at the first time, after the time of disposition,

i. at which a 30-day period begins throughout which neither the transferor nor a person affiliated with the transferor owns the substituted property, or a property that is identical to the substituted property and that was acquired after the day that is 31 days before the period begins,

ii. at which the substituted property would, if it were owned by the transferor, be deemed under section 785.1, 785.2 or 999.1 to have been disposed of by the transferor,

iii. that is immediately before control of the transferor is acquired by a person or group of persons, where the transferor is a corporation, or

iv. at which the winding-up of the transferor begins, other than a winding-up referred to in section 556, where the transferor is a corporation.

For the purposes of subparagraph *b* of the first paragraph, where a partnership otherwise ceases to exist at any time after the time of disposition,

(a) the partnership is deemed not to have ceased to exist until the time that is immediately after the first time described in subparagraphs *i* to *iv* of subparagraph *b*; and

(b) each person who was a member of the partnership immediately before the partnership would, but for this section, have ceased to exist is deemed to remain a member of the partnership, until the time that is immediately after the first time described in subparagraphs *i* to *iv* of subparagraph *b*.

“175.10. For the purposes of sections 175.7 to 175.9, a right to acquire a property, other than a right, as security only, derived from a mortgage, agreement of sale or similar obligation, is deemed to be a property that is identical to the property.”

(2) Subsection 1, where it enacts section 175.8 of the said Act, applies in respect of dispositions of property that occur after 20 June 1996, other than a disposition that occurred before 1 January 1997 to a person or partnership that

was obliged on 20 June 1996 to acquire the property pursuant to the terms of an agreement in writing made on or before that date and, for the purposes of this subsection, a person or partnership shall be considered not to be obliged to acquire property where the person or partnership can be excused from performing the obligation if there is a change to the said Act or if there is an adverse assessment under the said Act.

(3) Subsection 1, where it enacts sections 175.9 and 175.10 of the said Act, applies in respect of dispositions of property that occur after 26 April 1995.

47. (1) Section 192 of the said Act, amended by section 101 of chapter 16 of the statutes of 1998, is again amended by striking out the second paragraph.

(2) Subsection 1 has effect from 27 April 1995.

48. (1) The said Act is amended by inserting, after section 192, the following section:

“192.1. For the purposes of this Part,

(a) any income or loss of a State body or a federal Crown body from a business carried on, respectively, by the State body or the Crown body as a mandatory of the State or of Her Majesty, as the case may be, or from a property of the State or of Her Majesty administered, respectively, by the State body or the federal Crown body shall be treated as if it were an income or loss of the State body or federal Crown body from the business or the property, as the case may be; and

(b) any property, obligation or debt of any kind whatever held, administered, entered into or incurred, as the case may be, by a State body or a federal Crown body as a mandatory of the State or of Her Majesty, as the case may be, shall be treated as if it were a property, obligation or debt, as the case may be, of the State body or federal Crown body.”

(2) Subsection 1 has effect from 27 April 1995. However, where paragraphs *a* and *b* of section 192.1 of the said Act, enacted by subsection 1, apply before 12 June 1998, they shall be read as follows:

“(a) any income or loss of a Crown corporation of Québec or Canada from a business carried on by the corporation as a mandatory of the Government or of Her Majesty, as the case may be, or from a property of the Government or of Her Majesty administered by the corporation shall be treated as if it were an income or loss of the corporation from the business or the property, as the case may be; and

“(b) any property, obligation or debt of any kind whatever held, administered, entered into or incurred, as the case may be, by a Crown corporation of Québec or Canada as a mandatory of the Government or of Her Majesty, as the case may be, shall be treated as if it were a property, obligation or debt, as the case may be, of the corporation.”

49. (1) Section 193 of the said Act, replaced by section 102 of chapter 16 of the statutes of 1998, is amended by replacing the words “third paragraph” by the words “second paragraph”.

(2) Subsection 1 has effect from 12 June 1998.

50. (1) Section 194 of the said Act is amended by replacing subparagraph *d* of the second paragraph by the following :

“(d) the aggregate of all amounts each of which is an amount included in computing the taxpayer’s income for the year from the business because of section 94, 105 or 485.13, the second paragraph of section 487 or section 487.0.3.”

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

51. (1) Section 205 of the said Act is amended by replacing, in subparagraph *i* of paragraph *a* and in paragraph *b*, “230.10” by “230”.

(2) Subsection 1 applies from the taxation year 1995.

52. (1) Section 209.3 of the said Act is amended by replacing the words “an heir” and “heirs” by the words “a legatee by particular title” and “legatees by particular title”, respectively.

(2) Subsection 1 has effect from 18 June 1998.

53. (1) The said Act is amended by inserting, after section 217.9, the following section :

“217.9.1. Where an individual carries on a business in a taxation year, the individual dies in the year and after the end of a fiscal period of the business that ends in the year, another fiscal period of the business ends because of the individual’s death, in this section referred to as the “short period”, and the individual’s legal representative elects that this section apply in computing the individual’s income for the year or files a separate fiscal return under section 1003 in respect of the individual’s business, notwithstanding section 217.9, there shall be included in computing the individual’s income for the year from the business, the amount determined by the formula

$$(A - B) \times (C / D).$$

In the formula provided for in the first paragraph,

(a) A is the total of the individual’s income from the business for fiscal periods, other than the short period, of the business that end in the year ;

(b) B is the lesser of

i. the aggregate of all amounts each of which is an amount included in the total determined under subparagraph *a* in respect of the business that is deemed to be a taxable capital gain for the purposes of Title VI.5 of Book IV, and

ii. the aggregate of all amounts deducted under Title VI.5 of Book IV in computing the individual's taxable income for the year;

(*c*) *C* is the number of days in the short period; and

(*d*) *D* is the number of days in fiscal periods of the business, other than the short period, that end in the year.”

(2) Subsection 1 applies from the taxation year 1996. However, where the portion of the first paragraph of section 217.9.1 of the said Act before the formula, enacted by subsection 1, applies to the taxation years 1996 and 1997, it shall be read without reference to the words “or files a separate fiscal return under section 1003 in respect of the individual's business”.

54. (1) Section 217.13 of the said Act is amended by replacing paragraph *c* by the following:

“(c) the taxpayer's income for the particular taxation year computed before deducting any amount under this section in respect of the business or under any of sections 346.1 to 346.4.”

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

55. (1) The said Act is amended by inserting, after section 217.16, the following section:

“217.17. Where an individual carries on a business in a taxation year, the individual dies in the year, an amount is included under section 217.14 in computing the individual's income for the year from the business and the individual's legal representative elects that this section apply in computing the individual's income for the year or files a separate fiscal return under section 1003 in respect of the individual's business, there shall be deducted in computing the individual's income for the year from the business the lesser of

(*a*) the greatest amount that would have been deductible under section 217.13 in computing the individual's income for the year from the business if the individual had not died; and

(*b*) the amount deducted by the legal representative.”

(2) Subsection 1 applies from the taxation year 1996.

56. (1) Section 222 of the said Act is amended

(1) by replacing subsection 2 by the following:

“(2) In this division, “scientific research and experimental development” means, subject to subsection 4, systematic investigation or search that is carried out in a field of science or technology by means of

(a) basic research or applied research undertaken for the advancement of scientific knowledge; or

(b) experimental development undertaken for the purpose of achieving technological advancement for the purpose of creating new, or improving existing, materials, products, devices or processes, including incremental improvements thereto.”;

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

“(3) For the purposes of the definition of “scientific research and experimental development” in subsection 2 in respect of a taxpayer, scientific research and experimental development include work undertaken by or on behalf of the taxpayer with respect to engineering, design, operations research, mathematical analysis, computer programming, data collection, testing and psychological research, where the work is directly in support of research referred to in paragraph *a* of subsection 2 that is undertaken in Canada by or on behalf of the taxpayer, or experimental development referred to in paragraph *b* of that subsection that is undertaken in Canada by or on behalf of the taxpayer, and is commensurate with the needs of such research or experimental development.

“(4) For the purposes of the definition of “scientific research and experimental development” in subsection 2, scientific research and experimental development do not include work related to

(a) market research or sales promotion;

(b) quality control or routine testing of materials, products, devices or processes;

(c) research in the social sciences or the humanities;

(d) prospecting, exploring or drilling for, or producing, minerals, petroleum or natural gas;

(e) the commercial production of a new or improved material, device or product, or the commercial use of a new or improved process;

(f) style changes; or

(g) routine data collection.”

(2) Subsection 1 applies in respect of work undertaken after 27 February 1995.

57. Section 230 of the said Act is amended by replacing, in the French text of the portion of subparagraph iii of subparagraph *b* of the first paragraph before subparagraph 1, the word “immobilisation” by the word “capital”.

58. (1) Section 230.0.0.4.1 of the said Act is amended by replacing the words “Subject to section 230.0.0.5, no amount” by the words “No amount”.

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

59. (1) Section 230.0.0.5 of the said Act is replaced by the following:

“230.0.0.5. If a taxpayer has not filed the prescribed form that was required to be filed in respect of an expenditure in accordance with section 230.0.0.4.1, for the purposes of this Part, the expenditure is deemed not to be an expenditure on or in respect of scientific research and experimental development.”

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

60. (1) Division XII of Chapter V of Title III of Book III of Part I of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1995.

61. (1) Section 236.1 of the said Act is amended by replacing, in the third paragraph, “of section 658” by “of the first paragraph of section 658”.

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

62. (1) Section 236.2 of the said Act is replaced by the following:

“236.2. Where the taxpayer is a corporation, its loss from the disposition at a particular time in a taxation year of shares of the capital stock of a corporation, in this section referred to as the “controlled corporation”, that was controlled, directly or indirectly in any manner whatever, by the taxpayer at any time in the year, is its loss otherwise determined from that disposition less the amount by which the amount determined in the second paragraph exceeds the aggregate of the amounts by which the taxpayer’s losses have been reduced by virtue of this section in respect of dispositions before the particular time of shares of the capital stock of the controlled corporation.

The amount to which the first paragraph refers is the aggregate of all amounts added under paragraph *c.1* of section 255 to the cost to a corporation, other than the controlled corporation, of property disposed of to that corporation by the controlled corporation that were added to the cost of the property during the period while the controlled corporation was controlled by the taxpayer and that can reasonably be attributed to losses on the property that accrued during the period while the controlled corporation was controlled by the taxpayer.”

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.

63. (1) Sections 237 and 238 of the said Act are replaced by the following :

“237. The loss of a taxpayer from the disposition of a particular property is not allowable where

(a) during the period that begins 30 days before and ends 30 days after the time of disposition, the taxpayer or a person affiliated with the taxpayer acquires a property, in this section referred to as the “substituted property”, that is, or is identical to, the particular property ; and

(b) at the end of the 30 days following the time of disposition, the taxpayer or a person affiliated with the taxpayer owns or has a right to acquire the substituted property.

For the purposes of the first paragraph, a right to acquire a property, other than a right, as security only, derived from a mortgage, agreement of sale or similar obligation, is deemed to be a property that is identical to the property.

“238. Section 237 does not apply where the disposition is

(a) a disposition deemed under section 242 as it read before 1 January 1993, any of sections 281, 283, 299 to 300, 436, 440, 444, 450, 450.6, 653, 785.1 and 785.2, paragraph *f* of section 785.5, section 832.1 or 851.22.15, paragraph *b* of section 851.22.23 or section 861, 862 or 999.1 to have been made ;

(b) the expiry of an option ;

(c) a disposition referred to in section 264.0.1 ;

(d) a disposition by a corporation the control of which was acquired by a person or group of persons within 30 days after the time of disposition ;

(e) a disposition by a person that, within 30 days after the time of disposition, became or ceased to be exempt from tax under this Part on its taxable income ;  
or

(f) a disposition to which section 238.1 or subsections 2 and 3 of section 424 apply.”

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.

64. (1) The said Act is amended by inserting, after section 238, the following sections :

“238.1. The rules in the second paragraph apply where

(a) a corporation, trust or partnership, in this section referred to as the “transferor”, disposes of a particular capital property, other than depreciable property of a prescribed class, otherwise than in a disposition described in any of paragraphs *a* to *e* of section 238;

(b) during the period that begins 30 days before and ends 30 days after the time of disposition, the transferor or a person affiliated with the transferor acquires a property, in this section referred to as the “substituted property”, that is, or is identical to, the particular capital property; and

(c) at the end of the 30 days following the time of disposition, the transferor or a person affiliated with the transferor owns the substituted property.

The rules to which the first paragraph refers are as follows:

(a) the transferor’s loss from the disposition is not allowable;

(b) the amount of the transferor’s loss from the disposition, determined without reference to this paragraph and sections 237, 240, 241 and 288, is deemed to be a loss of the transferor from a disposition of the particular capital property at the time that is immediately before the first time, after the time of disposition,

i. at which a 30-day period begins throughout which neither the transferor nor a person affiliated with the transferor owns the substituted property, or a property that is identical to the substituted property and that was acquired after the day that is 31 days before the period begins,

ii. at which the substituted property would, if it were owned by the transferor, be deemed under section 785.1, 785.2 or 999.1 to have been disposed of by the transferor,

iii. that is immediately before control of the transferor is acquired by a person or group of persons, where the transferor is a corporation,

iv. at which the transferor or a person affiliated with the transferor is deemed under Division XII of Chapter IV to have disposed of the substituted property, where the substituted property is a debt or a share of the capital stock of a corporation, or

v. at which the winding-up of the transferor begins, other than a winding-up referred to in section 556, where the transferor is a corporation; and

(c) for the purposes of subparagraph *b*, where a partnership otherwise ceases to exist at any time after the time of disposition,

i. the partnership is deemed not to have ceased to exist until the time that is immediately after the first time described in subparagraphs i to v of subparagraph *b*, and

ii. each person who was a member of the partnership immediately before the partnership would, but for this paragraph, have ceased to exist is deemed to remain a member of the partnership, until the time that is immediately after the first time described in subparagraphs i to v of subparagraph *b*.

“238.2. For the purposes of section 238.1,

(a) a right to acquire a property, other than a right, as security only, derived from a mortgage, agreement of sale or similar obligation, is deemed to be a property that is identical to the property ;

(b) a share of the capital stock of a corporation that is acquired in exchange for another share in a transaction to which Division XIII of Chapter IV, Division VI of Chapter IV of Title IX or Chapter V or VI of that Title IX applies is deemed to be a property that is identical to the other share ;

(c) where section 238.1 applies in respect of the disposition by a person or partnership of a share of the capital stock of a corporation, and after the disposition the corporation is merged with one or more other corporations, otherwise than in a transaction in respect of which paragraph *b* applies to the share, or is wound up in a winding-up referred to in section 556, the corporation formed on the merger or the parent, within the meaning of that section 556, as the case may be, is deemed to own the share while it is affiliated with the person or partnership ; and

(d) where section 238.1 applies to the disposition by a person or partnership of a share of the capital stock of a corporation, and after the disposition the share is redeemed, acquired or cancelled by the corporation, otherwise than in a transaction in respect of which paragraph *b* or *c* applies to the share, the person or partnership is deemed to own the share while the corporation is affiliated with the person or partnership.

“238.3. Where at a particular time a taxpayer disposes, to a corporation that is affiliated with the taxpayer immediately after the disposition, of a share of a class of the capital stock of the corporation, other than a share that is a distress preferred share within the meaning of section 485, the following rules apply :

(a) the taxpayer’s loss from the disposition is not allowable ; and

(b) in computing the adjusted cost base to the taxpayer after the particular time of a share of a class of the capital stock of the corporation owned by the taxpayer immediately after the particular time, the taxpayer shall add the proportion of the amount of the taxpayer’s loss from the disposition, determined without reference to this section and sections 237, 240, 241 and 288, that

i. the fair market value, immediately after the particular time, of the share is of

ii. the fair market value, immediately after the particular time, of all shares of the capital stock of the corporation owned by the taxpayer.”

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.

65. (1) Section 239 of the said Act is repealed.

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.

66. (1) Section 250.3 of the said Act is amended by replacing the portion before paragraph *a* by the following :

“250.3. An election referred to in section 250.1 does not apply to a disposition of a Canadian security by a taxpayer, other than a mutual fund corporation or a mutual fund trust, who, at the time of the disposition, is”.

(2) Subsection 1 applies from the taxation year 1991. However, where the French text of the portion of section 250.3 of the said Act before paragraph *a*, enacted by subsection 1, applies before 30 October 1996, it shall be read as follows :

“250.3. Le choix visé à l’article 250.1 ne s’applique pas à l’aliénation d’une valeur canadienne par un contribuable, autre qu’une corporation de fonds mutuels ou une fiducie de fonds mutuels, qui, lors de cette aliénation, est :”.

(3) In addition, for the purposes of section 250.1 of the said Act, if an election referred to in that section is made by a mutual fund corporation or a mutual fund trust in prescribed form on or before its filing-due date for its taxation year that includes (*insert the date of assent to this Act*), and the election is in respect of a particular taxation year that ends after 31 December 1990 and that is not after the corporation’s or trust’s taxation year that includes (*insert the date of assent to this Act*), the election is deemed to have been made in the corporation’s or trust’s fiscal return under Part I of the said Act for the particular taxation year.

67. (1) Section 251.1 of the said Act is amended

(1) by replacing the formula provided for in the definition of “exempt capital gains balance” in the first paragraph by the following :

“ $A - B - C - D$ ”;

(2) by adding, after subparagraph *c* of the second paragraph, the following subparagraph :

“(d) D is

i. if the entity is a trust described in any of paragraphs *c* to *f* of the definition of “flow-through entity” in the first paragraph, the aggregate of all amounts each of which is an amount included before the year in the cost to the individual of a property under section 688.2 or paragraph *c* of section 858 because of the individual’s exempt capital gains balance in respect of the entity, and

ii. in any other case, nil.”

(2) Subsection 1 applies from the taxation year 1994.

68. (1) Section 255 of the said Act, amended by section 58 of chapter 85 of the statutes of 1997 and by section 104 of chapter 16 of the statutes of 1998, is again amended

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

“(b) where the property is substituted property, within the meaning of subparagraph *a* of the first paragraph of section 237, of the taxpayer, the amount by which the amount of the loss that was, because of the acquisition by the taxpayer of the property, a non-allowable loss referred to in that section 237 from a disposition of a property by a taxpayer exceeds, where the property disposed of was a share of the capital stock of a corporation, the amount that would, but for section 237, be deducted under section 741 or 742 in computing the loss of any taxpayer from the disposition of the share;” ;

(2) by replacing paragraphs *c.1* and *c.1.1* by the following :

“(c.1) where the taxpayer is a taxable Canadian corporation and the property was disposed of by another taxable Canadian corporation to the taxpayer in circumstances such that paragraph *f.1* does not apply to increase the adjusted cost base to the other corporation of shares of the capital stock of the taxpayer and the capital loss from the disposition was not allowable under section 239, as it read, before its repeal, in respect of that disposition, or 264.0.1 or is deemed under paragraph *a* of section 535, as it read, before its repeal, in respect of that disposition, to be nil, the amount that would otherwise be the capital loss from the disposition ;

“(c.1.1) where the property was disposed of by a person, other than a person not resident in Canada or a person exempt from tax under this Part on the person’s taxable income, or by an eligible Canadian partnership, within the meaning of section 485, to the taxpayer in circumstances such that paragraph *c.1* does not apply to increase the adjusted cost base to the taxpayer of the property, paragraph *f.1* does not apply to increase the adjusted cost base to that person of shares of the capital stock of the taxpayer and the capital loss from the disposition was not allowable under section 264.0.1 or deemed under paragraph *a* of section 535, as it read, before its repeal, in respect of that disposition, to be nil, the amount that would otherwise be the capital loss from the disposition ;” ;

(3) by inserting, after paragraph *c.5*, the following paragraph :

“(c.6) where the property is an interest in, or a share of the capital stock of, a flow-through entity described in any of paragraphs *a*, *b* and *g* to *j* of the definition of “flow-through entity” in the first paragraph of section 251.1, the time is before 1 January 2005 and immediately after that time the taxpayer disposed of the aggregate of the taxpayer’s interests in, and shares of the capital stock of, the entity, an amount equal to the product obtained by multiplying the amount by which the taxpayer’s exempt capital gains balance, within the meaning of the first paragraph of section 251.1, in relation to the entity for the taxpayer’s taxation year that includes that time exceeds the aggregate of all amounts each of which is the amount by which a capital gain is reduced under the provisions of Chapter II.1 for the year because of the taxpayer’s exempt capital gains balance in relation to the entity or 4/3 of an amount by which a taxable capital gain, or the income from a business, is reduced under the provisions of that chapter for the year because of the taxpayer’s exempt capital gains balance in relation to the entity, by the proportion that the fair market value at that time of the property is of the fair market value at that time of the aggregate of the taxpayer’s interests in, and shares of the capital stock of, the entity;”;

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

“(f.1) where the property is a share of the capital stock of a corporation, any amount required by paragraph *b* of section 238.3, or paragraph *b* of section 535, as it read, before its repeal, in respect of the disposition of that share, to be added;”.

(2) Subject to section 307, paragraphs 1, 2 and 4 of subsection 1 apply in respect of dispositions of property that occur after 26 April 1995.

(3) Paragraph 3 of subsection 1 applies from the taxation year 1994.

69. (1) The said Act is amended by inserting, after section 261.3, the following section:

“261.3.1. Where it can reasonably be considered that one of the main reasons that a member of a partnership was not a specified member of the partnership at all times since becoming a member of the partnership is to avoid the application of section 261.1 in respect of the member’s interest in the partnership, the member is deemed for the purposes of that section to have been a specified member of the partnership at all times since becoming a member of the partnership.”

(2) Subsection 1 has effect from 27 April 1995.

70. (1) Section 261.5 of the said Act is amended by replacing, in paragraph *b*, the words “is entitled” by the words “is entitled, either immediately or in the future and either absolutely or contingently,”.

(2) Subsection 1 applies to fiscal periods that end after 30 November 1994.

71. Section 274 of the said Act, amended by section 330 of chapter 85 of the statutes of 1997, is again amended, in the English text, by replacing the portion before subparagraph *a* of the first paragraph by the following :

“274. In this Title, “principal residence” of an individual, other than a personal trust, for a taxation year means a particular property that is a housing unit, a leasehold interest in a housing unit or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a housing unit owned by the cooperative if, in every case, the particular property is owned in the year by the individual, whether alone or jointly with another person, and the condition set out in the second paragraph and one of the following conditions are met:”.

72. Section 274.0.1 of the said Act, amended by section 330 of chapter 85 of the statutes of 1997, is again amended, in the English text, by replacing the portion before subparagraph *a* of the first paragraph by the following :

“274.0.1. In this Title, “principal residence” of an individual who is a personal trust, in this section referred to as a “trust”, for a taxation year means a particular property that is a housing unit, a leasehold interest in a housing unit or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a housing unit owned by the cooperative if, in every case, the particular property is owned in the year by the trust, whether alone or jointly with another person, and the conditions set out in the second paragraph and one of the following conditions are met:”.

73. (1) Section 308.0.1 of the said Act is amended, in the first paragraph,

(1) by replacing, in the French text of the portion of the definition of “acquisition autorisée” before paragraph *a*, the words “comme partie” by the words “dans le cadre”;

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

““safe-income determination time”, in relation to a transaction or event or a series of transactions or events, means the time that is the earlier of

(*a*) the time that is immediately after the earliest disposition or increase in interest described in any of paragraphs *a* to *e* of section 308.2.1 that resulted from the transaction or event or series of transactions or events ; and

(*b*) the time that is immediately before the earliest time that a dividend is paid as part of the transaction or event or series of transactions or events;” ;

(3) by replacing paragraphs *a* and *b* of the definition of “permitted redemption” by the following :

“(a) a redemption or purchase for cancellation by the distributing corporation, as part of the reorganization in which the distribution was made, of all the shares of its capital stock that were owned, immediately before the distribution, by a transferee corporation in relation to the distributing corporation;

“(b) a redemption or purchase for cancellation by a transferee corporation in relation to the distributing corporation, or by a corporation that, immediately after the redemption or purchase, was a subsidiary wholly-owned corporation of the transferee corporation, as part of the reorganization in which the distribution was made, of all of the shares of the capital stock of the transferee corporation or the subsidiary wholly-owned corporation that were acquired by the distributing corporation in consideration for the transfer of property received by the transferee corporation on the distribution; and”.

(2) Paragraph 2 of subsection 1 applies in respect of dividends received after 20 June 1996.

(3) Paragraph 3 of subsection 1 applies in respect of dividends received after 21 February 1994.

74. (1) Section 308.1 of the said Act is amended

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

“308.1. Notwithstanding any other provision of this Part, where a corporation resident in Canada receives a taxable dividend referred to in section 308.2 in respect of which it is entitled to a deduction under section 738, 740 or 845, the amount of that dividend, other than the prescribed portion of it, is deemed”;

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

“(b) where a corporation has disposed of the share referred to in section 308.2, to be proceeds of disposition of that share to the extent that the amount is not otherwise included in computing such proceeds; and

“(c) where a corporation has not disposed of the share referred to in section 308.2, to be a gain of the corporation for the year in which the dividend was received from the disposition of a capital property.”

(2) Subsection 1 applies in respect of dividends received after 21 February 1994. However, where the portion of section 308.1 of the said Act before paragraph *a*, enacted by paragraph 1 of subsection 1, applies in respect of such dividends received before 21 June 1996, it shall be read without reference to “, 740”.

75. (1) Section 308.2 of the said Act is replaced by the following:

“308.2. Section 308.1 applies only where a taxable dividend is received by a corporation as part of a transaction or event or a series of transactions or events one of the purposes of which, or, in the case of a dividend referred to in section 506, one of the results of which, was to effect a significant reduction in the portion of the capital gain that, but for the dividend, would have been realized on a disposition at fair market value of any share of the capital stock of a corporation immediately before the dividend was paid and that could reasonably be attributed to anything other than income earned or realized by any corporation after 1971 and before the safe-income determination time, in relation to the transaction or event or series of transactions or events.”

(2) Subsection 1 applies in respect of dividends received after 21 February 1994. However, where section 308.2 of the said Act, enacted by subsection 1, applies in respect of such dividends received before 21 June 1996, it shall be read with “that commenced after 21 April 1980,” inserted before “one of the purposes of which” and with “the safe-income determination time, in relation to the transaction or event or series of transactions or events” replaced by “the transaction or event or the commencement of the series of transactions or events referred to in section 308.2.1”.

76. (1) The said Act is amended by inserting, after section 308.2, the following sections:

“308.2.1. Section 308.1 does not apply, however, to any dividend received by a particular corporation if, as part of a transaction or event or a series of transactions or events as a part of which the dividend was received, there was not at any particular time

(a) a disposition, to a person or partnership that was an unrelated person immediately before the particular time, of property, other than

i. money disposed of on the payment of a dividend or on a reduction of the paid-up capital of a share, and

ii. property disposed of for proceeds of disposition that are not less than its fair market value;

(b) a significant increase, other than as a consequence of a disposition of shares of the capital stock of a corporation for proceeds of disposition that are not less than their fair market value, in the total direct interest in any corporation of one or more persons or partnerships that were unrelated persons immediately before the particular time;

(c) a disposition, to a person or partnership who was an unrelated person immediately before the particular time, of

i. shares of the capital stock of the corporation that paid the dividend, or

ii. property more than 10% of the fair market value of which was, at any time during the course of the series of transactions or events, derived from shares of the capital stock of the corporation that paid the dividend;

(*d*) after the time the dividend was received, a disposition, to a person or partnership that was an unrelated person immediately before the particular time, of

i. shares of the capital stock of the particular corporation, or

ii. property more than 10% of the fair market value of which was, at any time during the course of the series of transactions or events, derived from shares of the capital stock of the particular corporation; and

(*e*) a significant increase in the total of all direct interests in the corporation that paid the dividend of one or more persons or partnerships who were unrelated persons immediately before the particular time.

“308.2.2. For the purposes of section 308.2.1, the following rules apply :

(*a*) “unrelated person” means a person, other than the particular corporation that received the dividend, to whom the particular corporation is not related or a partnership any member of which, other than the particular corporation, is not related to the particular corporation;

(*b*) a corporation that is formed by an amalgamation of two or more other corporations is deemed to be a continuation of each of the other corporations;

(*c*) proceeds of disposition of a property shall be determined without reference to paragraph *a* of section 308.1 in section 251; and

(*d*) notwithstanding any other provision of this Act, where a person not resident in Canada disposes of a property in a taxation year and the gain or loss from the disposition is not included in computing the person’s taxable income earned in Canada for the year, the person is deemed to have disposed of the property for proceeds of disposition that are less than its fair market value unless, under the income tax laws of the country in which the person is resident, the gain or loss is computed as if the property were disposed of for proceeds of disposition that are not less than its fair market value and the gain or loss so computed is recognized for the purposes of those laws.”

(2) Subsection 1 applies in respect of dividends received by a corporation after 21 February 1994. However,

(1) in respect of such dividends received before 20 June 1996 or received under an arrangement substantially advanced, as evidenced in writing, before 20 June 1996, section 308.2.1 of the said Act, enacted by subsection 1, shall be read with the words “total direct interest” in paragraph *b* and the words “total of all direct interests” in paragraph *e* replaced by the word “interest”; and

(2) in respect of such dividends, where they are received on shares issued before 20 June 1996 and the corporation so elects in writing on or before *(insert the date of the last day of the fourth month after the month in which this Act is assented to)* or in its fiscal return under Part I of the said Act for the year in which it received the dividends, section 308.2.1 of the said Act, enacted by subsection 1, shall be replaced by the following, and the said Act shall be read without reference to section 308.2.2 of the said Act, enacted by subsection 1 :

“308.2.1. Section 308.1 applies only if, in addition to the condition set out in section 308.2, the dividend is received by a particular corporation as part of a transaction or event or a series of transactions or events that result in a disposition of any property to a person with whom the particular corporation is dealing at arm’s length or a significant increase in the interest in any corporation of any person with whom the particular corporation is dealing at arm’s length.”

(3) Where a corporation elects under paragraph 2 of subsection 2 in relation to dividends received after 21 February 1994,

(1) section 308.5 of the said Act shall, in relation to those dividends, be read as follows :

“308.5. For the purposes of this division, where it can reasonably be considered that the principal purpose of one or more transactions or events was to cause two or more persons to be related or not deal with each other at arm’s length, or to cause one corporation to control another corporation, so as to make section 308.1 inapplicable, those persons are deemed not to be related or are deemed to deal with each other at arm’s length, or the corporation is deemed not to control the other corporation, as the case may be.”; and

(2) subparagraph *e* of the first paragraph of section 308.6 of the said Act shall, in relation to those dividends, be read as follows :

“(e) in determining whether two or more persons do not deal with each other at arm’s length,

i. a person is deemed to deal with another person at arm’s length and not to be related to the other person if the person is the brother or sister of the other person, and

ii. persons who are otherwise related to each other solely because of a right referred to in paragraph *b* of section 20 are deemed not to be related to each other; and”.

77. (1) Section 308.3 of the said Act is amended by replacing the portion before paragraph *a* by the following :

“308.3. In addition, section 308.1 does not apply if the dividend was received by a corporation”.

(2) Subsection 1 applies in respect of dividends received after 21 February 1994.

78. (1) Section 308.3.1 of the said Act is amended

(1) by replacing the words “comme partie” by the words “dans le cadre”, in the French text of the following provisions :

- the portion of paragraph *b* before subparagraph *i* ;
- subparagraph 1 of subparagraph *i* of paragraph *b* ;
- subparagraph *ii* of paragraph *b* ;
- subparagraph 2 of subparagraph *iii* of paragraph *b* ;
- the portion of subparagraph *i* of paragraph *c* before subparagraph 1 ;
- the portion of subparagraph *i* of paragraph *d* before subparagraph 1 ;

(2) by replacing subparagraphs 2 and 3 of subparagraph *ii* of paragraph *c* by the following :

“(2) more than 10% of the fair market value of which was, at any time after the distribution and before the end of the series of transactions or events, attributable to property, other than money and indebtedness that is not convertible into other property, described in subparagraph 1 or 3, or

“(3) to which, at any time during the course of the series of transactions or events, the fair market value of property described in subparagraph 1 was wholly or partly attributable; or”;

(3) by replacing subparagraphs 2 and 3 of subparagraph *ii* of paragraph *d* by the following :

“(2) more than 10% of the fair market value of which was, at any time after the distribution and before the end of the series of transactions or events, attributable to property, other than money and indebtedness that is not convertible into other property, described in subparagraph 1 or 3, or

“(3) to which, at any time during the course of the series of transactions or events, the fair market value of property described in subparagraph 1 was wholly or partly attributable.”

(2) Paragraphs 2 and 3 of subsection 1 apply in respect of dividends received after 26 April 1995. However, in respect of acquisitions of property that occur before 20 June 1996 or under a written agreement entered into before 20 June 1996, subparagraph 2 of subparagraph *ii* of paragraph *c* of section 308.3.1 of the said Act, enacted by paragraph 2 of subsection 1, and

subparagraph 2 of subparagraph ii of paragraph *d* of that section, enacted by subparagraph 3 of subsection 1, shall be read with “subparagraph 1 or 3” replaced by “subparagraph 1”.

79. (1) Section 308.3.2 of the said Act is amended by adding, after paragraph *g*, the following paragraph:

“(h) each corporation that is a shareholder and specified shareholder of a distributing corporation at any time during the course of a series of transactions or events, a part of which includes a distribution made by the distributing corporation, is deemed to be a transferee corporation in relation to the distributing corporation.”

(2) Subsection 1 applies in respect of dividends received after 20 June 1996 other than dividends received in the course of a reorganization that is carried out under a series of transactions or events substantially advanced, as evidenced in writing, on 20 June 1996 or that was required on 20 June 1996 to be carried out under a written agreement entered into on or before 20 June 1996 and, for the purposes of this subsection, a reorganization is deemed not to be required to be carried out if the parties to that agreement can be relieved of that requirement if there is a change to the said Act.

80. (1) The said Act is amended by inserting, after section 308.3.2, the following section:

“308.3.3. In determining whether a person is a specified shareholder of a corporation for the purposes of subparagraph i of paragraph *b* of section 308.3.1 and paragraph *h* of section 308.3.2, the reference in section 21.17 to “or of any other corporation that is related to the corporation” shall be read as “or of any other corporation that is related to the corporation and that has a significant direct or indirect interest in any issued shares of the capital stock of the corporation”.

(2) Subsection 1 applies in respect of dividends received after 31 December 1996.

81. (1) Section 308.6 of the said Act, amended by section 106 of chapter 16 of the statutes of 1998, is again amended, in the first paragraph,

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

“(a) where a dividend referred to in sections 308.1 and 308.2 is received by a corporation as part of a transaction or event or a series of transactions or events, the portion of a capital gain attributable to any income expected to be earned or realized by a corporation after the safe-income determination time for the transaction, event or series of transactions or events is deemed to be a portion of a capital gain attributable to anything other than income;”;

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

“i. its income for the period otherwise determined on the assumption that no amounts were deductible by the corporation in respect of that period under paragraph *j* of section 157, as it read before being struck out, and sections 230.1 to 230.11, as they read before their repeal;”;

(3) by replacing subparagraph *c* by the following :

“(c) the income earned or realized by a corporation for a period throughout which it was a private corporation is deemed to be its income for the period otherwise determined on the assumption that no amounts were deductible by the corporation in respect of that period under paragraph *j* of section 157, as that paragraph read before being struck out, or sections 230.1 to 230.11, as they read before their repeal;”.

(2) Paragraph 1 of subsection 1 applies in respect of dividends received after 20 June 1996. In addition, where subparagraph *a* of the first paragraph of section 308.6 of the said Act, replaced by paragraph 1 of subsection 1, applies in respect of dividends received after 21 February 1994, it shall be read with “in section 308.1 and in paragraph *a* of section 308.2” replaced by “in sections 308.1 and 308.2”.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 1995.

82. (1) Section 310 of the said Act is amended by striking out “900.”.

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

83. (1) Section 311 of the said Act, amended by section 60 of chapter 85 of the statutes of 1997 and by section 251 of chapter 16 of the statutes de 1998, is again amended

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

“(c) a benefit under the Unemployment Insurance Act (Revised Statutes of Canada, 1985, chapter U-1), other than a payment relating to a course or program designed to facilitate the re-entry into the labour force of a claimant under that Act, or a benefit under Part I, VIII or VIII.1 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23);”;

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

“(e.2) earnings supplements provided under a project sponsored by a government or government agency in Canada to encourage individuals to obtain or keep employment, other than a prescribed program ;

“(e.3) financial assistance under a program established by the Canada Employment Insurance Commission under Part II of the Employment Insurance Act;

“(e.4) financial assistance under a program, other than a prescribed program, that is

i. established by a government or government agency in Canada or by an organization,

ii. similar to a program established under Part II of the Employment Insurance Act, and

iii. the subject of an agreement between the government, government agency or organization, as the case may be, and the Canada Employment Insurance Commission pursuant to section 63 of the Employment Insurance Act;”;

(3) by replacing, in paragraph *i*, “in section 904” by “in sections 904 and 904.1”.

(2) Paragraph 1 of subsection 1 has effect from 30 June 1996.

(3) Paragraph 2 of subsection 1, where it enacts paragraph *e.2* of section 311 of the said Act, applies from the taxation year 1993 and, where it enacts paragraphs *e.3* and *e.4* of that section 311, has effect from 1 July 1996.

(4) Paragraph 3 of subsection 1 applies from the taxation year 1998.

84. (1) Section 311.1 of the said Act, replaced by section 61 of chapter 85 of the statutes of 1997, is again replaced by the following :

“311.1. A taxpayer shall also include any amount, other than a prescribed amount, received in the year by the taxpayer as a social assistance payment based on a means, needs or income test, to the extent that such amount is not otherwise required to be included in computing the taxpayer’s income for a taxation year.”

(2) Subsection 1 applies from the taxation year 1993. However, where section 311.1 of the said Act, enacted by subsection 1, applies

(1) to the taxation year 1993, it shall be read as follows :

“311.1. A taxpayer shall also include any amount received in the year by the taxpayer as a social assistance payment based on a means, needs or income test or any such amount received in the year by the taxpayer’s spouse who resided with the taxpayer at the time the payment was received and whose income for the year, determined without reference to this section, section 313.1, paragraph *d.1* of subsection 1 of section 336 and Chapter VIII of Title VI, is less than the taxpayer’s income so determined for the year, to the extent that such amount is not otherwise required to be included in computing the income for a taxation year of the taxpayer or the taxpayer’s spouse, except where the taxpayer resided with the taxpayer’s spouse at the

time the payment was received and the taxpayer's income for the year, determined without reference to this section, section 313.1, paragraph *d.1* of subsection 1 of section 336 and Chapter VIII of Title VI, is less than the taxpayer's spouse's income so determined for the year.”;

(2) to the taxation year 1994, it shall be read as follows :

“311.1. A taxpayer shall also include any amount received in the year by the taxpayer as a social assistance payment based on a means, needs or income test or any such amount received in the year by the taxpayer's spouse who resided with the taxpayer at the time the payment was received and whose income for the year, determined without reference to this section, section 313.1 and paragraph *d.1* of subsection 1 of section 336, is less than the taxpayer's income so determined for the year, to the extent that such amount is not otherwise required to be included in computing the income for a taxation year of the taxpayer or the taxpayer's spouse, except where the taxpayer resided with the taxpayer's spouse at the time the payment was received and the taxpayer's income for the year, determined without reference to this section, section 313.1 and paragraph *d.1* of subsection 1 of section 336, is less than the taxpayer's spouse's income so determined for the year.”;

(3) to the taxation years 1995 to 1997, it shall be read as follows :

“311.1. A taxpayer shall also include any amount received in the year by the taxpayer as a social assistance payment based on a means, needs or income test, other than a prescribed payment, or any such amount received in the year by the taxpayer's spouse who resided with the taxpayer at the time the payment was received and whose income for the year, determined without reference to this section, section 313.1 and paragraph *d.1* of subsection 1 of section 336, is less than the taxpayer's income so determined for the year, to the extent that such amount is not otherwise required to be included in computing the income for a taxation year of the taxpayer or the taxpayer's spouse, except where the taxpayer resided with the taxpayer's spouse at the time the payment was received and the taxpayer's income for the year, determined without reference to this section, section 313.1 and paragraph *d.1* of subsection 1 of section 336, is less than the taxpayer's spouse's income so determined for the year.”

85. (1) Section 312.3 of the said Act, enacted by section 109 of chapter 16 of the statutes of 1998, is amended by replacing the second paragraph by the following :

“For the purposes of the definition of “support amount” in the first paragraph, the following rules apply :

(a) a support amount does not include an amount described in that definition that, if paid and received, would be so under a decree, order or judgment of a competent tribunal, or under a written agreement, that does not have a commencement day, and would not be required to be included in computing the income of the recipient of the amount if

i. paragraphs *a* to *b.1* of section 312, as they applied before being struck out, applied in respect of an amount received after 31 December 1996 and were read without reference to the words “and throughout the remainder of the year”, and

ii. section 312.4 were disregarded;

(*b*) the portion of that definition before paragraph *a* shall be read without reference to the words “the recipient has discretion as to the use of the amount, and”, where it applies in respect of an amount receivable under a decree, order or judgment of a competent tribunal, or under a written agreement, made after 27 March 1986 and before 1 January 1988.”

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

86. (1) Section 312.4 of the said Act, enacted by section 109 of chapter 16 of the statutes of 1998, is amended by replacing subparagraph *b* of the second paragraph by the following :

“(b) B is the aggregate of all amounts each of which is a child support amount that became receivable by the taxpayer from the particular person under an agreement or order on or after the commencement day and before the end of the year in respect of a period that began on or after the commencement day ; and”.

(2) Subsection 1 applies in respect of amounts received after 31 December 1996.

87. (1) Section 336 of the said Act, amended by section 110 of chapter 63 of the statutes of 1997, by section 65 of chapter 85 of the statutes of 1997 and by section 114 of chapter 16 of the statutes of 1998, is again amended

(1) by replacing paragraphs *d* and *d.1* by the following :

“(d) any amount described in any of paragraphs *a*, *c* and *e* to *e.4* of section 311 or section 311.1, any pension under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or any benefit under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, received by an individual and included in computing the individual’s income for the year or a preceding taxation year, to the extent of the amount repaid by the individual in the year otherwise than because of Part VII of the Unemployment Insurance Act (Revised Statutes of Canada, 1985, chapter U-1) or Part VII of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) ;

“(d.1) any amount the taxpayer is required to pay on or before 30 April of the following year as a benefit repayment under Part VII of the Unemployment Insurance Act or Part VII of the Employment Insurance Act, to the extent that the amount was not deductible in computing the taxpayer’s income for any preceding taxation year ;” ;

(2) by replacing subparagraph iv of paragraph *e* by the following :

“iv. a decision of the Canada Employment and Immigration Commission, the Canada Employment and Insurance Commission, a board of referees or an umpire under the Unemployment Insurance Act or the Employment Insurance Act;”.

(2) Subsection 1 has effect from 30 June 1996. However,

(1) where paragraph *d* of section 336 of the said Act, enacted by paragraph 1 of that subsection 1, applies to taxation years that are before the taxation year 1998, it shall be read as follows :

“(d) any amount described in any of paragraphs *a*, *c* and *e* to *e.4* of section 311, any pension under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or any benefit under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, any training allowance under the National Training Act (Revised Statutes of Canada, 1985, chapter N-19), received by an individual and included in computing the individual’s income for the year or a preceding taxation year, to the extent of the amount repaid by the individual in the year otherwise than because of Part VII of the Unemployment Insurance Act (Revised Statutes of Canada, 1985, chapter U-1) or Part VII of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23);”;

(2) where subparagraph iv of paragraph *e* of section 336 of the said Act, enacted by paragraph 2 of that subsection 1, applies in respect of amounts paid before 12 July 1996, it shall be read as follows :

“iv. a decision of the Canada Employment and Immigration Commission, a board of referees or an umpire under the Unemployment Insurance Act or the Employment Insurance Act;”.

88. (1) Section 336.0.2 of the said Act, enacted by section 116 of chapter 16 of the statutes of 1998, is amended by replacing the second paragraph by the following :

“For the purposes of the definition of “support amount” in the first paragraph, the following rules apply :

(a) a support amount does not include an amount described in that definition that, if paid and received, would be so under a decree, order or judgment of a competent tribunal, or under a written agreement, that does not have a commencement day, and would not be required to be included in computing the income of the recipient of the amount if

i. paragraphs *a* to *b.1* of section 312, as they applied before being struck out, applied in respect of an amount received after 31 December 1996 and were read without reference to the words “and throughout the remainder of the year”, and

ii. section 312.4 were disregarded; and

(b) the portion of that definition before paragraph *a* shall be read without reference to the words “the recipient has discretion as to the use of the amount, and”, where it applies in respect of an amount payable under a decree, order or judgment of a competent tribunal, or under a written agreement, made after 27 March 1986 and before 1 January 1988.”

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

89. (1) Section 336.0.3 of the said Act, enacted by section 116 of chapter 16 of the statutes of 1998, is amended by replacing subparagraph *b* of the second paragraph by the following:

“(b) B is the aggregate of all amounts each of which is a child support amount that became payable by the taxpayer to the particular person under an agreement or order on or after the commencement day and before the end of the year in respect of a period that began on or after the commencement day; and”.

(2) Subsection 1 applies in respect of amounts paid after 31 December 1996.

90. (1) Section 346.2 of the said Act is amended by replacing subparagraph *e* of the second paragraph by the following:

“(e) E is 50% of the amount by which the amount that would be the corporation’s income for the year if that amount were determined without reference to this section and sections 346.3 and 346.4 exceeds the amount determined under subparagraph *a* of the first paragraph in respect of the corporation for the year.”

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

91. (1) Section 350 of the said Act, amended by section 67 of chapter 85 of the statutes of 1997, is again amended by replacing paragraph *f* by the following:

“(f) where the old residence is sold by the individual or the individual’s spouse as a result of the move, the legal costs incurred for the acquisition of the individual’s new residence that are required for that acquisition and any tax, fee or duty, other than any goods and services tax or value-added tax, imposed on the transfer of the right of ownership to, or registration of rights arising out of the acquisition of, the new residence.”

(2) Subsection 1 applies in respect of amounts incurred after 31 December 1990. However, where paragraph *f* of section 350 of the said Act, enacted by subsection 1, applies before 1 January 1994, it shall be read with the words “registration of rights arising out of the acquisition” replaced by the words “registration of the deed of sale”.

92. (1) Section 358.0.1 of the said Act is amended, in the first paragraph,

(1) by replacing, in the portion before paragraph *a*, “sections 752.0.14 to 752.0.16” and “section 429, 681, 782 or 1003” respectively by “section 752.0.14 or 752.0.15” and “the second paragraph of section 429 or section 681, 782 or 1003”;

(2) by striking out paragraph *c*.

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

93. (1) Section 359.8 of the said Act, replaced by section 127 of chapter 16 of the statutes of 1998, is amended by replacing the portion before paragraph *a* by the following :

“359.8. Where a corporation that issues a flow-through share to a person under an agreement incurs, in a particular calendar year, Canadian exploration expenses or Canadian development expenses, the corporation is, for the purposes of section 359.2 or for the purposes of section 359.2.1 and paragraph *b* of section 359.2.2, as the case may be, deemed to have incurred the expenses on the last day of the preceding calendar year, provided that”.

(2) Subsection 1 applies in respect of expenses incurred after 31 December 1992. However, where the portion of section 359.8 of the said Act before paragraph *a*, enacted by subsection 1, applies in respect of expenses incurred before 1 January 1997 or in respect of expenses incurred after 31 December 1996 and before 1 March 1997 in relation to an agreement entered into in the calendar year 1995, it shall be read as follows :

“359.8. Where a corporation that issues a flow-through share to a person under an agreement incurs, within 60 days after the end of a calendar year, Canadian exploration expenses or Canadian development expenses, the corporation is, for the purposes of section 359.2 or for the purposes of section 359.2.1 and paragraph *b* of section 359.2.2, as the case may be, deemed to have incurred the expenses on the effective date of the renunciation, provided that”.

94. (1) Section 364 of the said Act is amended by replacing paragraph *c* by the following :

“(c) the cost of any Canadian resource property acquired by the taxpayer after 1971 ;”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1984.

95. (1) Sections 384.4 and 384.5 of the said Act are replaced by the following :

“384.4. For the purposes of sections 371 to 374, 408 to 416 and 418.1 to 418.12, except as those sections apply for the purposes of sections 418.15 to 418.36, where, at a particular time, control of a corporation has been acquired by a person or group of persons, within the 12-month period that ended immediately before that time, the corporation or a partnership of which it was a majority interest partner acquired a Canadian resource property or a foreign resource property, and immediately before the 12-month period began, the corporation was not a development corporation and the partnership, if it were a corporation, would not be a development corporation,

(a) the property is deemed, subject to subparagraph *b*, to have been acquired by the corporation or partnership at the particular time and is deemed not to have been acquired by it before that time; and

(b) where the property has been disposed of by the corporation or partnership before the particular time and not reacquired by it before that time, the property is deemed to have been acquired by the corporation or partnership immediately before it disposed of the property.

However, the first paragraph does not apply in the case of the acquisition of a property that was owned by the corporation or partnership or a person that would, but for the definition of “controlled” in section 21.0.1, be affiliated with the corporation throughout the period that began immediately before the 12-month period referred to in the first paragraph and ended at the time the property was acquired by the corporation or partnership.

“384.5. For the purposes of section 384.4, where the corporation referred to in that section was incorporated or otherwise formed in the 12-month period, it is deemed to have been

(a) in existence throughout the period that began immediately before that 12-month period and ended immediately after it was incorporated or otherwise formed; and

(b) affiliated, throughout the period referred to in paragraph *a*, with every person with whom it was affiliated, otherwise than because of a right referred to in paragraph *b* of section 20, throughout the period that began when it was incorporated or otherwise formed and ended immediately before its control was acquired.”

(2) Subsection 1, where it replaces section 384.4 of the said Act, has effect from 27 April 1995 and, where it replaces section 384.5 of the said Act, applies in respect of acquisitions of control that occur after 26 April 1995.

96. (1) Section 418.26 of the said Act, amended by section 161 of chapter 16 of the statutes of 1998, is again amended

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

“418.26. Where, at any time after 12 November 1981, control of a corporation has been acquired by a person or group of persons, or a corporation ceases on or before 26 April 1995 to be exempt from tax under this Part on its taxable income, for the purposes of the provisions of the Act respecting the application of the Taxation Act (chapter I-4) and of this Part, other than sections 359.2, 359.2.1, 359.2.2, 359.4 and 359.13, relating to deductions in respect of drilling and exploration expenses, prospecting, exploration and development expenses, Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, in this section referred to as “resource expenses”, incurred by the corporation before that time, the following rules apply:”;

(2) by inserting, after paragraph *a*, the following paragraph :

“(a.1) where the corporation did not own a foreign resource property immediately before that time, the corporation is deemed to have owned a foreign resource property immediately before that time;”.

(2) Paragraph 1 of subsection 1 has effect from 27 April 1995. However, where the portion of section 418.26 of the said Act before paragraph *a*, enacted by that paragraph 1, applies

(1) to taxation years that begin before 1 January 1999, it shall be read with “359.4 and” replaced by “359.4, 359.6 and”;

(2) before 12 June 1998, it shall be read with “(chapter I-4)” replaced by “(1972, chapter 24)”.

(3) Paragraph 2 of subsection 1 applies to taxation years that end after 17 February 1987.

97. (1) Section 419.7 of the said Act, amended by section 251 of chapter 16 of the statutes of 1998, is replaced by the following :

“419.7. Where a corporation acquires in any manner whatever all or substantially all of the Canadian resource properties or foreign resource properties of a person whose taxable income is exempt from tax under this Part, section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), and sections 418.16 to 418.21 do not apply to the corporation in respect of the acquisition of the properties.”

(2) Subsection 1 applies in respect of acquisitions that occur after 26 April 1995, other than an acquisition that was made by a corporation before 1 January 1996 and that was required by an agreement in writing entered into before 27 April 1995. However, where section 419.7 of the said Act, enacted by subsection 1, applies before 12 June 1998, it shall be read with “section 88.4

of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section” replaced by “section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24), to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972) (R.R.Q., 1981, chapter I-4, r.2)”.

98. (1) Section 419.8 of the said Act is repealed.

(2) Subsection 1 applies in respect of acquisitions that occur after 26 April 1995, other than an acquisition that was made by a corporation before 1 January 1996 and that was required by an agreement in writing entered into before 27 April 1995.

99. (1) Section 424 of the said Act is amended

(1) by replacing subsection 2 by the following :

“(2) Where in a taxation year of the corporation such property is appropriated in any manner whatever to, or for the benefit of, a shareholder upon the winding-up of the corporation, the corporation is deemed, for the purpose of computing its income for the year, to have disposed of the property immediately before the winding-up for proceeds of disposition equal to its fair market value at that time, and sections 93.3.1, 106.4, 175.9, 238.1 and 238.3 do not apply in respect of any property disposed of on the winding-up.”;

(2) by striking out subsection 4.

(2) Subsection 1 applies in respect of windings-up that begin after 31 December 1995.

(3) In addition, where subsection 2 of section 424 of the said Act, replaced by paragraph 1 of subsection 1, applies in respect of windings-up that begin after 26 April 1995 and before 1 January 1996, it shall be read with “sections 527.1, 527.2 and 535” replaced by “sections 93.3.1, 106.4, 175.9, 238.1, 238.3, 527.1, 527.2 and 535”.

100. (1) Section 427.4 of the said Act, amended by section 330 of chapter 85 of the statutes of 1997, is replaced by the following :

“427.4. Notwithstanding any other provision of this Part, where, at any particular time as part of a series of transactions or events, a taxpayer disposes of property for proceeds of disposition that are less than its fair market value, the taxpayer is deemed to have disposed of the property at that time for proceeds of disposition equal to its fair market value at that time, if

(a) it may reasonably be considered that one of the main purposes of the series of transactions or events is to obtain the benefit of

i. any deduction described in the second paragraph or any balance of undeducted outlays, expenses or other amounts available to a person, other than a person that would be affiliated with the taxpayer immediately before the series of transactions or events, but for the definition of “controlled” in section 21.0.1, in respect of a subsequent disposition of the property or property substituted for the property, or

ii. an exemption available to any person from tax payable under this Part on any income arising on a subsequent disposition of the property or property substituted for the property; and

(b) the subsequent disposition referred to in paragraph *a* occurs, or arrangements for the subsequent disposition are made, before the day that is three years after the particular time.

The deduction to which subparagraph i of subparagraph *a* of the first paragraph refers is a deduction, other than a deduction under section 726.7.1 in respect of a capital gain from a disposition of a share acquired by the taxpayer in an acquisition to which sections 530 to 533 or 620 to 625 applied, in computing income, taxable income, taxable income earned in Canada or tax payable under this Part.”

(2) Subsection 1 applies in respect of each disposition that is part of a series of transactions or events that begins after 26 April 1995, other than a disposition that occurred before 1 January 1996 to a person who was obliged on 26 April 1995 to acquire the property under the terms of an agreement in writing entered into on or before 26 April 1995. In addition, for the purposes of this subsection, a person is considered not to be obliged to acquire property where the person can be excused from the obligation if there is a change to the said Act or if there is an adverse assessment under the said Act.

101. (1) The said Act is amended by inserting, after section 427.4, the following sections:

“427.4.1. Notwithstanding sections 1010 to 1011, the Minister may make any assessments or reassessments of the tax, interest and penalties payable by the taxpayer referred to in section 427.4 that are necessary to give effect to that section 427.4

(a) within three years after the subsequent disposition referred to in subparagraph *a* of the first paragraph of section 424.4; and

(b) within four years after the subsequent disposition referred to in subparagraph *a* of the first paragraph of section 424.4 if, at the end of the taxation year that includes the particular time referred to in that first paragraph, the taxpayer is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

“427.4.2. For the purposes of section 427.4, where a taxpayer is incorporated or otherwise comes into existence at a particular time during a series of transactions or events, the taxpayer is deemed

(a) to have existed at the time that was immediately before the series of transactions or events began; and

(b) to have been affiliated, at the time that was immediately before the series of transactions or events began, with every person with whom the taxpayer is affiliated, otherwise than because of a right referred to in paragraph *b* of section 20, at the particular time.”

(2) Subsection 1 applies in respect of each disposition that is part of a series of transactions or events that begins after 26 April 1995, other than a disposition that occurred before 1 January 1996 to a person who was obliged on 26 April 1995 to acquire the property under the terms of an agreement in writing entered into on or before 26 April 1995. In addition, for the purposes of this subsection, a person is considered not to be obliged to acquire property where the person can be excused from the obligation if there is a change to the said Act or if there is an adverse assessment under the said Act.

102. (1) Section 452 of the said Act is replaced by the following:

“452. Subject to section 453, in computing the income of a taxpayer for the taxation year in which the taxpayer died, sections 153 and 208, subparagraph *b* of the first paragraph of section 234, paragraph *b* of section 234.0.1 and sections 357 and 358 do not apply and the portion of paragraph *a* of section 279 before subparagraph *i* shall be read as follows:

“(a) the gain for a particular taxation year from the disposition of the taxpayer’s former property is deemed to be equal to”.

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

103. (1) Section 467.1 of the said Act is amended by replacing paragraph *c.1* by the following:

“(c.1) by an environmental trust; or”.

(2) Subsection 1 applies to taxation years that end after 22 February 1994.

104. (1) Section 485 of the said Act, amended by section 251 of chapter 16 of the statutes of 1998, is again amended

(1) by striking out the definition of “taxable dividend”;

(2) by replacing the portion of the definition of “unrecognized loss” before paragraph *a* by the following:

““unrecognized loss” at a particular time, in respect of an obligation issued by a debtor, from the disposition of a property means the amount that would, but for section 240, be a capital loss from the disposition by the debtor at or before the particular time of a debt or other right to receive an amount, except that where the debtor is a corporation the control of which was acquired before the particular time and after the time of the disposition by a person or group of persons, the unrecognized loss at the particular time in respect of the obligation is deemed to be nil unless”.

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

105. (1) Section 485.11 of the said Act is amended by replacing, in the French text of paragraph *b*, the word “société” by the words “société de personnes”.

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

106. (1) Section 485.13 of the said Act is amended by replacing subparagraph ii of subparagraph *b* of the second paragraph by the following:

“ii. the residual balance at that time in respect of the settlement of the obligation;”.

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

107. (1) Section 485.14 of the said Act is replaced by the following:

“485.14. For the purposes of section 485.13, the residual balance at any time in a taxation year in respect of the settlement of a particular commercial obligation issued by a debtor is the amount by which the gross tax attributes of directed persons at that time in respect of the debtor exceeds the aggregate of

(a) the amount determined under subparagraph *a* of the second paragraph of section 485.13 in respect of the settlement of the particular obligation at that time;

(b) all amounts each of which is

i. the amount by which the amount determined under subparagraph *a* of the second paragraph of section 485.13 in respect of a settlement before that time and in the year of a commercial obligation issued by the debtor exceeds the amount determined under subparagraph *c* of the second paragraph of that section in respect of the settlement,

ii. the amount determined under subparagraph *a* of the second paragraph of section 485.13 in respect of a settlement of a commercial obligation that is deemed under paragraph *a* of section 485.42 to have been issued by a directed person in respect of the debtor because of the filing of an agreement in accordance with sections 485.42 to 485.52 in respect of a settlement before that time and in the year of a commercial obligation issued by the debtor, or

iii. the amount specified in an agreement, other than an agreement with a directed person in respect of the debtor, filed in accordance with sections 485.42 to 485.52 in respect of the settlement before that time and in the year of a commercial obligation issued by the debtor; and

(c) the aggregate of all amounts each of which is an amount in respect of a settlement at a particular time before that time and in the year of a commercial obligation issued by the debtor equal to the least of

i. the aggregate of all amounts designated under section 485.11 in respect of the settlement,

ii. the residual balance of the debtor at the particular time, and

iii. the amount by which the aggregate of all amounts determined under subparagraphs *a* and *b* of the second paragraph of section 485.13 in respect of the settlement exceeds the amount determined under subparagraph *c* of the second paragraph of that section in respect of the settlement.”

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

108. (1) The said Act is amended by inserting, after section 485.14, the following section:

“485.14.1. For the purposes of section 485.14, the gross tax attributes of directed persons at a particular time in respect of a debtor means the aggregate of all amounts each of which is an amount that would be applied under any of sections 485.4 to 485.10 and 485.12 in respect of a settlement of a separate commercial obligation, in this section referred to as a “notional obligation”, issued by directed persons at that time in respect of the debtor if the following assumptions were made:

(a) a notional obligation was issued immediately before the particular time by each of those directed persons and was settled at the particular time;

(b) the forgiven amount at the particular time in respect of each of those notional obligations was equal to the total of all amounts each of which is a forgiven amount at or before that time and in the year in respect of a commercial obligation issued by the debtor;

(c) amounts were designated under sections 485.6 to 485.10 by each of those directed persons to the maximum extent permitted in respect of the settlement of each of those notional obligations; and

(d) no amounts were designated under section 485.11 by any of those directed persons in respect of the settlement of any of the notional obligations.”

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

109. (1) Section 485.17 of the said Act is repealed.

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

110. (1) Sections 485.37 to 485.39 of the said Act are repealed.

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

111. (1) Section 485.40 of the said Act is amended

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

“485.40. For the purposes of sections 485 to 485.18 and 485.35, where at any time in a taxation year a person disposes of a property and the person designates an amount in a prescribed form filed with the person’s fiscal return under this Part for the year, the following rules apply :”;

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

“(b) the lesser of the amount so designated and the amount that would, but for this section, be a capital gain determined in respect of the disposition because of section 485.35 shall be treated as if it were the forgiven amount at the time of the settlement in respect of the obligation referred to in paragraph *a* ;”.

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

112. (1) Section 485.44 of the said Act is amended by striking out paragraph *d*.

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

113. (1) The said Act is amended by inserting, after section 485.44, the following section :

“485.44.1. For the purposes of this Part, where a debtor and an eligible transferee enter into an agreement that is filed in accordance with this subdivision, no benefit shall be considered to have been conferred on the debtor as a consequence of the agreement.”

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

114. (1) Section 485.49 of the said Act is amended by replacing paragraph *a* by the following :

“(a) where the transferee is a corporation, all taxes payable under this Part by it for taxation years that end in the period that begins at that time and ends four calendar years after that time ;”.

(2) Subsection 1 applies to taxation years that end after 21 February 1994.

115. Section 487.5.3 of the said Act, replaced by section 81 of chapter 85 of the statutes of 1997, is again replaced, in the English text, by the following :

“487.5.3. For the purposes of sections 487.1 to 487.6, “home purchase loan” means that portion of any debt contracted by an individual in the circumstances described in sections 487.1 and 487.2 that is used to acquire, or to repay a debt that was contracted to acquire, a dwelling or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a dwelling owned by the cooperative, where the dwelling is for the habitation of any of the persons described in section 487.5.4, or that is used to repay a home purchase loan.”

116. Section 488 of the said Act is amended by replacing the second paragraph by the following :

“Such amounts include those that sections 218 to 220 provide are not to be included in computing income and the payments that Title I of Book VII provides are not to be included in computing income.”

117. (1) Section 489 of the said Act is amended by striking out paragraphs *e* and *f*.

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

118. (1) Section 527 of the said Act is replaced by the following :

“527. For the purposes of sections 93 to 104, 130 and 130.1 and of any regulations made for the purposes of paragraph *a* of section 130, where Divisions I and II or Division IV apply in respect of the disposition of depreciable property to a person and the capital cost to the transferor of the property exceeds the transferor’s proceeds of disposition of the property, the following rules apply :

(*a*) the capital cost to the transferee of the property is deemed to be equal to the amount that was its capital cost to the transferor; and

(*b*) the excess is deemed to have been allowed to the transferee as depreciation in respect of the property for the taxation years that ended before the time of disposition.”

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.

119. (1) Sections 527.1 and 527.2 of the said Act are repealed.

(2) Subject to section 307, subsection 1 applies in respect of dispositions of property that occur after 26 April 1995.