



NATIONAL ASSEMBLY

SECOND SESSION

THIRTY-FIFTH LEGISLATURE

Bill 161

**An Act to again amend the Taxation Act,
the Act respecting the Québec sales tax
and other legislative provisions**

Introduction

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

**Québec Official Publisher
1997**

EXPLANATORY NOTES

This bill amends various Acts to give effect primarily to the Budget Speech delivered by the Minister of Finance on 25 March 1997, to the Minister's Statements of 28 November 1996, 12 December 1996 and 19 December 1996, and to Information Bulletins 96-1, 96-2, 96-3, 96-5, 97-1, 97-2, 97-3, 97-4 and 97-5 issued by the Ministère des Finances respectively on 26 January 1996, 24 April 1996, 14 June 1996, 22 November 1996, 11 February 1997, 16 May 1997, 22 May 1997, 3 July 1997 and 16 October 1997.

Amendments are also introduced to give effect to various measures contained in the Budget Speech delivered by the Minister of Finance on 9 May 1996.

The bill amends the Cultural Property Act to explicitly grant the Commission des biens culturels the authority to fix the fair market value of cultural property on donation of the property to a certified archival centre or to an accredited museum. Provision is made in the bill for a right of appeal from the decision of the Commission in that respect.

The bill amends the Highway Safety Code to introduce a measure imposing an additional registration fee for luxury vehicles.

The bill amends the Mining Duties Act to introduce a new additional depreciation allowance in computing annual profit for the purpose of determining the mining duties a Québec mining operator must pay under the Act.

The bill amends the Tobacco Tax Act to raise the rate of tax on tobacco products.

The bill amends the Taxation Act to amend or introduce a number of fiscal measures specific to Québec. One of the main measures concerns a reform of personal income tax aimed at achieving a simplified and fairer tax system. In particular, the amendments

(1) reduce the number of tax brackets from five to three, and as a consequence, eliminate the 5% surtax on tax exceeding \$5,000, the additional 5% surtax on tax exceeding \$10,000 and the 2% tax reduction;

(2) *enable individuals to choose between the general tax system and the new simplified system, which will allow taxpayers to avail themselves of a new lump-sum amount of \$2,350 to replace several tax credits and deductions allowed under the general tax system;*

(3) *increase the non-refundable tax credit rate from 20% to 23%;*

(4) *simplify the calculation of tax credits based on income through the adoption of a single \$26,000 reduction threshold and the harmonizing of the various notions of income used to reduce tax credits;*

(5) *increase the refundable sales tax credit scale for adults by \$50 and by \$50 for a person living alone, and improve payment of the tax credit so that it becomes payable in two equal instalments in August and December of the year; and*

(6) *convert the deductions for tuition fees and examination fees into carry-forward non-refundable tax credits.*

The other measures amending the Taxation Act are brought, in particular, to

(1) *bring into force, beginning from the first pay period after 31 December 1997, a tip allocation mechanism where the tips remitted by the employee to the employer amount to less than 8% of the amount of tippable sales attributable to the employee;*

(2) *enhance the allowable accelerated depreciation deduction through an additional deduction that brings the total deduction to 125% of the capital cost of certain property used in Québec;*

(3) *tighten up the rules relating to transfers of property without immediate tax impact to preclude avoidance transactions based on dissimilar application of the rules contained in the Taxation Act and in the federal Income Tax Act;*

(4) *make adjustments to reflect amendments brought to the Cultural Property Act and the Cultural Property Export and Import Act;*

(5) *introduce a deduction in the computing of the income of a foreign instructor employed by a corporation carrying on business in a building housing an information technologies development centre (ITDC);*

(6) *increase the income tax and tax on capital exemption for new corporations, particularly by extending the exemption period to the equivalent of five full years, and introduce a similar exemption for all of those taxes payable by a corporation carrying on a business in a building housing an ITDC;*

(7) *relax the rules governing stock savings plans for qualifying non-guaranteed convertible securities and for regional venture capital corporations as well as the rules prohibiting share purchases and share redemptions by qualified corporations;*

(8) *implement a temporary refundable tax credit for the use of less polluting dry-cleaning technology;*

(9) *implement, as a consequence of the new measures pertaining to tips, a temporary refundable tax credit for additional payroll taxes payable by employers during pay periods ending on or before 31 December 2000;*

(10) *implement a refundable tax credit for businesses that create jobs and that meet certain conditions equal to \$1,200 for each full-time job created in a year, up to \$36,000;*

(11) *make certain adjustments to the refundable tax credit for Québec film or television production including a tax credit reduction from 40% to 33 1/3% for certain productions and an increase in that rate from 40% to 45% for certain other productions;*

(12) *implement a refundable tax credit for salary and wages paid and specialized equipment purchased in the first three taxation years of a corporation carrying on business in a building housing an ITDC;*

(13) *grant a temporary tax holiday in regards to the tax on capital for new investments in certain sectors including the tourism sector; and*

(14) *introduce amendments consequential to the new integrated child allowance concerning the tax reduction for families and the refundable tax credit for sales tax attributable to children.*

The bill amends the Licenses Act to integrate a reduction in the specific duty and tax applicable to wine, cider and other alcoholic beverages sold by small-scale producers and to increase the ad valorem duty imposed on alcoholic beverages, in harmony with the Québec sales tax increase on 1 January 1998.

The bill amends the Act respecting the Ministère du Revenu primarily to introduce provisions pertaining to objections and appeals that formerly were to be found in the Taxation Act. Consequential amendments are also brought to certain provisions of the Act respecting municipal taxation, the Mining Duties Act, the Act respecting the Régie de l'assurance-maladie du Québec, the Act respecting the Québec Pension Plan, the Act respecting real estate tax refund and the Act respecting income security.

The bill amends the Act respecting labour standards in particular to provide for a mandatory written tip remittance agreement to be entered into between the employer and each employee in the restaurant and hotel industry.

The bill amends the Consumer Protection Act to integrate a measure that concerns advertising mentioning taxes.

The bill amends the Act respecting the Régie de l'assurance-maladie du Québec chiefly to

(1) enhance the exemption from employer contributions to the Health Services Fund that new corporations may claim by extending the claiming period to the equivalent of a full five years;

(2) introduce a similar exemption for corporations that carry on their entire business in a building housing an ITDC; and

(3) change the manner in which the premium payable by a beneficiary of the public drug insurance plan is calculated so that the family income considered is the same as the family income used in the tax system to calculate refundable tax credits, and so that the amounts of the deductions considered in calculating the premium are replaced.

The bill amends the Act respecting real estate tax refund to ensure concordance with the amendments brought to the Taxation Act as part of the reform of personal income tax.

The bill amends the Act respecting Québec business investment companies to empower the Société de développement industriel du Québec to refuse to certify an investment made by a Québec business investment company (QBIC) in connection with a financial arrangement providing for the granting of an option to sell or any other form of guarantee of return to QBIC shareholders.

The bill amends the Act respecting the Québec sales tax to add measures specific to the tax system in Québec as well as to harmonize the Québec sales tax with the federal goods and services tax and to reflect the introduction by the federal government of the harmonized sales tax.

In particular, the amendments

(1) increase the rate of the Québec sales tax to 7.5% from 1 January 1998;

(2) introduce a specific duty on perchloroethylene;

(3) provide for the deferral of the elimination of restrictions on the obtaining of an input tax refund by large businesses, except with respect to fuel oil and road vehicles having a weight equal to or greater than 3,000 kilograms;

(4) provide for a QST-exempt transfer of road vehicles between individuals in settlement of rights arising out of their marriage;

(5) reduce the specific tax applicable to wine, cider and other alcoholic beverages sold by small-scale producers;

(6) abolish the partial rebate of Québec sales tax granted to municipalities and certain bodies engaged in activities of a municipal nature;

(7) ensure harmonization with amendments made to the goods and services tax by the federal government in Bill C-70 (S.C., 1997, chapter 10) assented to on 20 March 1997;

(8) make consequential adjustments to take into account the introduction of the harmonized sales tax by the federal government; and

(9) make various technical, consequential and terminological changes specific to the sales tax system in Québec.

The bill amends the Fuel Tax Act to introduce various fiscal measures.

In particular, the measures

(1) provide for an exemption on fuel tax in respect of propane gas;

- (2) *reduce fuel tax in respect of ethanol;*
- (3) *modify the rate of the fuel tax applicable to fuel oil; and*
- (4) *reduce the specific tax on gasoline in border regions.*

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

LEGISLATION AMENDED BY THIS BILL :

- Cultural Property Act (R.S.Q., chapter B-4);
- Highway Safety Code (R.S.Q., chapter C-24.2);
- Act to foster the development of manpower training (R.S.Q., chapter D-7.1);
- Mining Duties Act (R.S.Q., chapter D-15);
- National Holiday Act (R.S.Q., chapter F-1.1);
- Act respecting municipal taxation (R.S.Q., chapter F-2.1);
- Tobacco Tax Act (R.S.Q., chapter I-2);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the application of the Taxation Act (R.S.Q., chapter I-4);
- Licenses Act (R.S.Q., chapter L-3);
- Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);
- Act respecting labour standards (R.S.Q., chapter N-1.1);
- Consumer Protection Act (R.S.Q., chapter P-40.1);
- Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5);
- Act respecting the Québec Pension Plan (R.S.Q., chapter R-9);
- Act respecting real estate tax refund (R.S.Q., chapter R-20.1);
- Act respecting income security (R.S.Q., chapter S-3.1.1);

- Act respecting the Société de développement des entreprises culturelles (R.S.Q., chapter S-10.002);
- Act respecting Québec business investment companies (R.S.Q., chapter S-29.1);
- Act respecting the Québec sales tax (R.S.Q., chapter T-0.1);
- Fuel Tax Act (R.S.Q., chapter T-1);
- Act to amend the Code of Civil Procedure and various legislative provisions (1993, chapter 72);
- 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, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 63);
- Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 14);
- Act respecting family benefits (1997, chapter 57).

Bill 161

AN ACT TO AGAIN AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

CULTURAL PROPERTY ACT

1. The Cultural Property Act (R.S.Q., chapter B-4) is amended by inserting, after the heading of Chapter II, the following :

“DIVISION I

“CONSTITUTION AND OPERATION”.

2. The said Act is amended by inserting, after section 2, the following section :

“2.1. In addition to its advisory responsibilities, the Commission shall, where a cultural property, other than property described in section 232R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), is acquired by a certified archival centre or an accredited museum, within the meaning assigned to those expressions by section 1 of the Taxation Act (chapter I-3),

(a) determine, for the purposes of the second paragraph of section 232 of the Taxation Act and for the purposes of Division II, whether the property is acquired in accordance with the acquisition and conservation policy of the centre or museum, as the case may be, and with the directives of the Ministère de la Culture et des Communications ; and

(b) in the circumstances described in section 7.12 and for the purposes of paragraph *b.1* of section 710, sections 710.2 and 712.0.1, paragraph *b* of the definition of “total cultural gifts” in section 752.0.10.1, paragraph *b* of sections 752.0.10.4 and 752.0.10.6 and section 752.0.10.7 of the Taxation Act, determine the fair market value of the cultural property.”

3. The said Act is amended by inserting, after section 7.11, the following :

“DIVISION II

“DETERMINATION OF THE FAIR MARKET VALUE OF A CULTURAL PROPERTY

“7.12. For the purposes of paragraph *b.1* of section 710, sections 710.2 and 712.0.1, paragraph *b* of the definition of “total cultural gifts” in section 752.0.10.1, paragraph *b* of sections 752.0.10.4 and 752.0.10.6 and section 752.0.10.7 of the Taxation Act (chapter I-3), where a certified archival centre or an accredited museum acquires cultural property by gift in accordance with its acquisition and conservation policy and with the directives of the Ministère de la Culture et des Communications, other than property described in section 232R1 of the Regulation respecting the Taxation Act (R.R.Q, 1981, chapter I-3, r.1), the centre or museum shall make a request in writing to the Commission for a determination of the fair market value of the property where required by the donor.

“7.13. The Commission may request any information and document that are relevant to the consideration of the request.

“7.14. Unless the circumstances of a particular case require otherwise, the Commission shall make a determination and provide the donor with a certificate within four months after the request is received.

The certificate shall set forth that the property was acquired by a certified archival centre or an accredited museum in accordance with its acquisition and conservation policy and with the directives of the Ministère de la Culture et des Communications, and indicate the fair market value of the property, determined by the Commission.

“7.15. The Commission shall transmit a copy of the certificate to the centre or museum that made the request and to the Minister of Revenue.

“DIVISION III

“APPEALS TO THE COURT OF QUÉBEC

“7.16. The donor may, within 90 days after the day on which the certificate referred to in section 7.14 is issued, appeal to the Court of Québec sitting for the district in which the donor resides or for the district of Québec or of Montréal, according to the district in which the determination would be appealable under article 30 of the Code of Civil Procedure (chapter C-25) if it were an appeal to the Court of Appeal, to have the fair market value determined by the Commission varied.

The time limit for appealing applies to determinations made by the Commission before (*insert the date of assent to this Act*), account being taken of the time already elapsed since the date on which the certificate was issued by the Commission.

“7.17. No appeal may be instituted after the expiry of 90 days following the day on which the certificate is issued.

However, where the donor was physically unable to act or to instruct another to act in the donor’s name within the time prescribed and not more than one year has elapsed since the date of issue of the certificate, the donor may apply to a judge of the Court of Québec for an extension of the time limited by the first paragraph for appealing which may not go beyond the fifteenth day following the date of the judgment granting such extension.

“7.18. An appeal is brought by filing a motion at the office of the Court of Québec.

“7.19. The object of the appeal, the grounds on which it is based and the conclusions sought are stated in the motion which must be supported by an affidavit attesting the truth of any alleged facts. The motion must be accompanied by a notice of not less than ten days of its presentation.

“7.20. The appellant shall prepare an original and one copy of the motion, affidavit and notice. After payment of the court costs of \$90 mentioned in section 7.21, the originals and copies are numbered by the clerk. The copies are certified true by the appellant or the appellant’s attorney.

The clerk shall forthwith transmit the copies furnished by the appellant to the Commission which shall thereupon forward to the clerk the record relating to the determination appealed from.

“7.21. Upon the filing of the motion, the appellant shall pay to the clerk of the Court an amount of \$90, which shall be paid into the consolidated revenue fund.

In no case may the Court compel an appellant to pay any additional costs.

“7.22. The appeal may be heard *in camera* if it is established to the satisfaction of the judge that the circumstances justify *in camera* proceedings.

“7.23. The judge may dismiss the appeal or vary the fair market value determined by the Commission and, for the purposes of the Taxation Act (chapter I-3), the fair market value determined by the judge is deemed to be the fair market value determined by the Commission.

“7.24. The clerk of the Court shall as soon as possible transmit a copy of the decision resulting from the appeal to the donor and to the Minister of Revenue.

“7.25. The decision of the Court is final and without appeal.”

HIGHWAY SAFETY CODE

4. (1) Section 21 of the Highway Safety Code (R.S.Q., chapter C-24.2), amended by section 5 of chapter 56 of the statutes of 1996, is again amended by inserting, after subparagraph 4 of the first paragraph, the following subparagraph:

“(5) in respect of a road vehicle belonging to the class determined by regulation which is seven years old or less and whose value exceeds \$40,000, pay, according to the calculation methods established by regulation, an additional duty which, computed on an annual basis, is equal to 1% of the value of the vehicle in excess of \$40,000.”

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

5. (1) Section 31.1 of the said Code is amended

(1) by inserting, in the ninth line of the first paragraph and after “(chapter T-12)”, the words “and, in respect of a road vehicle belonging to a class determined by regulation which is seven years old or less and whose value exceeds \$40,000, an additional duty which, computed on an annual basis, is equal to 1% of the value of the vehicle in excess of \$40,000”;

(2) by inserting, in the fifth line of the second paragraph and after the word “duties”, the words “, additional duty”;

(3) by replacing, in the fourth line of the fourth paragraph, the words “and fees” by the words “, additional duty and fees”.

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

6. (1) Section 618 of the said Code, amended by section 8 of chapter 49 of the statutes of 1997, is again amended

(1) by inserting, in the second line of paragraph 8.5 and after the word “duties”, the words “and of the additional duty”;

(2) by inserting, in the first line of paragraph 8.7 and after the word “duties”, the words “and additional duty”;

(3) by inserting, in the third line of paragraph 8.8 and after the word “transit”, the words “and the additional duty”;

(4) by inserting, in the second line of paragraph 8.9 and after the word “duties”, the words “and additional duty”;

(5) by inserting, in the second, third and fourth lines of paragraph 11 and after the word “duties”, the words “and additional duty”;

(6) by inserting, in the third line of paragraph 11.2 and after the word “duties,”, the words “additional duty,”.

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

7. (1) The said Code is amended by inserting, after section 619.3, the following section :

“619.4. The Government may determine, by regulation, a class of road vehicles which are seven years old or less, whose value exceeds \$40,000 and in respect of which an additional duty corresponding, on an annual basis, to 1% of the value of the vehicle in excess of \$40,000 is payable, as well as the rules for the calculation of the additional duty and the age of a vehicle and the rules for the determination of the value of a vehicle, which value determination rules may refer to a price or value fixed by another government, a body or a person specified by the regulation.

The regulation may provide that references to other texts include any subsequent amendments to those texts.”

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

ACT TO FOSTER THE DEVELOPMENT OF MANPOWER TRAINING

8. (1) The schedule to the Act to foster the development of manpower training (R.S.Q., chapter D-7.1) is amended

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

“2. In this schedule,

“employee” means an employee within the meaning of section 1 of the Taxation Act who reports for work at an establishment of his employer situated in Québec or to whom a salary or wages, if he is not required to report for work at an establishment of his employer, are paid from such an establishment situated in Québec ;

“establishment” includes an establishment within the meaning of Chapter III of Title II of Book I of Part I of the Taxation Act ;

“salary or wages” means the income computed in accordance with Chapters I and II of Title II of Book III of Part I of the Taxation Act, except section 43.3 of that Act and section 58.1 thereof, where it refers to an amount to be included in computing income under sections 979.9 to 979.11 of that Act, and any amount paid by an employer to a trustee or custodian, as the case may be, under a profit sharing plan, an employee trust or an employee benefit plan, within the meaning of section 1 of that Act.” ;

(2) by inserting, after paragraph 3, the following paragraphs :

“4. For the purposes of this schedule, where an employee is not required to report for work at an establishment of his employer and where his salary or wages are not paid from such an establishment situated in Québec, that employee is deemed to report for work at an establishment of his employer situated in Québec for a pay period if, in reference to the place where he mainly reports for work, the place where he mainly performs his duties, the establishment from where the employee is supervised, the nature of the duties performed by the employee or any other similar criterion, it may reasonably be considered that the employee for that pay period is an employee of that establishment.

“5. For the purposes of this schedule, where an employee of an establishment, situated elsewhere than in Québec, of an employer supplies a service in Québec to another employer that is not the employer of the employee, or for the benefit of such other employer, an amount that may reasonably be considered to be the salary or wages earned by the employee to supply the service is deemed to be salary or wages paid by the other employer, in the pay period during which payment of the salary or wages is made to the employee, to an employee of the other employer who reports for work at an establishment of that other employer situated in Québec where

(1) at the time the service is supplied, the other employer has an establishment situated in Québec ;

(2) the service supplied by the employee

(a) is performed by the employee in the ordinary performance of his duties with his employer,

(b) is supplied to or for the benefit of the other employer in the course of regular and ongoing activities of an enterprise carried on by that other employer, and

(c) is in the nature of the services supplied by employees of employers carrying on the same type of enterprise as the enterprise referred to in subparagraph *b* ; and

(3) the amount is not otherwise included in the total payroll of the other employer determined in accordance with this schedule.

“6. Paragraph 5 does not apply in respect of a pay period of any other employer referred to therein if the Minister is of the opinion that a reduction in the contribution payable under this Act by the employers referred to in that paragraph is not one of the objectives or anticipated results arising from the making or maintaining in force of

(1) the agreement pursuant to which the service is supplied by the employee referred to in that paragraph 5 to or for the benefit of the other employer; or

(2) any other agreement affecting the amount of the salaries and wages paid by the other employer in the pay period for the purposes of this schedule and where the Minister considers such agreement to be related to the agreement for the supply of services referred to in subparagraph 1.”

(2) Paragraph 1 of subsection 1 applies from the year 1997.

(3) Paragraph 2 of subsection 1 applies in respect of salaries or wages paid or deemed to be paid after 25 March 1997.

MINING DUTIES ACT

9. (1) Section 1 of the Mining Duties Act (R.S.Q., chapter D-15), amended by section 1 of chapter 4 of the statutes of 1996 and by section 2 of chapter 39 of the statutes of 1996, is again amended

(1) by replacing the definition of “processing asset” by the following definition:

““processing asset” means property to which section 10 applies, situated in Québec, that is

(1) a processing plant;

(2) equipment used entirely or almost entirely for processing;

(3) property used mainly to supply water or energy to a processing plant;

(4) property for the stockpiling of a mineral substance and property for the ensuing handling thereof, used for the direct supply of, and immediately adjacent to, a processing plant;

(5) property used entirely or almost entirely for the handling or transportation of a mineral substance within a processing plant; or

(6) property used entirely or almost entirely for the handling or transportation of mine tailings emanating directly from a processing plant, to a mine tailings site or mine tailings heap;

but does not include

(7) property used during an activity preliminary to primary crushing;

(8) property used for the primary crushing of a mineral substance;

(9) subject to paragraphs 4, 5 and 6, property used for the transportation, handling, storage or marketing of a mineral substance;

(10) property used for the transportation of solid, liquid or gas fuel;

(11) subject to paragraph 6, property used in the operation of a mine tailings site or mine tailings heap, from the first deposit of tailings in an area laid out for that purpose; or

(12) subject to paragraph 3, service property;”;

(2) by replacing the definition of “processing” by the following definition :

““processing” means any activity involving the concentration, smelting or refining of a mineral substance and includes any activity involving pelletization, the production of powder or the production of steel billets, or any other activity prescribed by regulation;”;

(3) by adding the following definition in the appropriate alphabetical order :

““processing plant” means the whole or part of a building in which the processing of a mineral substance is carried out and which is used solely for that purpose.”

(2) Subsection 1 has effect from 13 May 1994.

10. (1) Section 8 of the said Act, amended by section 4 of chapter 4 of the statutes of 1996 and by section 3 of chapter 39 of the statutes of 1996, is again amended by inserting, after subparagraph *h* of paragraph 2, the following subparagraph :

“(h.1) subject to sections 8.6 and 26.0.1, the amount deducted by the operator, for the fiscal year, as an additional depreciation allowance;”.

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

11. (1) Section 8.0.1 of the said Act is amended by replacing, in paragraph 4, “10, 17 and 21” by “10, 17, 21 and 26.0.1”.

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

12. (1) Section 8.6 of the said Act is replaced by the following section :

“8.6. The amount that an operator may claim as a depreciation allowance under subparagraph *d* of paragraph 2 of section 8 or as an additional depreciation allowance under subparagraph *h.1* of that paragraph 2 for a fiscal year is reduced by the reasonable amount of the allowance that relates to the use of each property, in that fiscal year, for purposes other than mining operation.”

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

13. (1) Section 19 of the said Act, replaced by section 5 of chapter 4 of the statutes of 1996, is again replaced by the following section :

“19. The allowance referred to in section 17 for a fiscal year shall not exceed 33 1/3% of the annual profit for that fiscal year, determined without reference to that allowance, the additional exploration allowance, the processing allowance, the additional depreciation allowance and the additional allowance for a northern mine referred to in subparagraphs *f* to *h.1* and *j* of paragraph 2 of section 8.”

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

14. (1) Section 19.3 of the said Act, replaced by section 6 of chapter 4 of the statutes of 1996, is again replaced by the following section :

“19.3. The annual ceiling on exploration expenses for a fiscal year is the amount corresponding to the annual profit for that fiscal year computed without reference to the additional exploration allowance, the processing allowance, the additional depreciation allowance and the additional allowance for a northern mine referred to in subparagraphs *g* to *h.1* and *j* of paragraph 2 of section 8.”

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

15. (1) Section 21 of the said Act, amended by section 7 of chapter 4 of the statutes of 1996, is again amended by replacing paragraph 2 by the following paragraph :

“(2) an amount that is 65% of the annual profit, for that fiscal year, determined before the deduction as a processing allowance, additional depreciation allowance and additional allowance for a northern mine referred to in subparagraphs *h*, *h.1* and *j* of paragraph 2 of section 8.”

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

16. (1) The said Act is amended by inserting, before Division V.1 of Chapter III, the following :

“DIVISION V.0.1

“ADDITIONAL DEPRECIATION ALLOWANCE

“26.0.1. Subject to section 26.0.2, the amount deductible by an operator as an additional depreciation allowance, in relation to a processing plant, in computing annual profit for a fiscal year under subparagraph *h.1* of paragraph 2 of section 8, shall not exceed the lesser of

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

(2) \$50,000,000;

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

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

(b) \$350,000,000;

(4) an amount that is the amount by which 65% of the annual profit of the operator for the fiscal year, determined before deductions as a processing allowance, additional depreciation allowance and additional allowance for a northern mine referred to in subparagraphs *h*, *h.1* and *j* of paragraph 2 of section 8 exceeds the amount deducted for the fiscal year under that subparagraph *h*; and

(5) zero, if the aggregate of all amounts, each of which is the capital cost to the operator of each property, described in the second paragraph, in relation to that processing plant, is less than \$300,000,000.

Property to which the first paragraph refers is a processing asset that

(1) was acquired new by the operator after 25 March 1997 and before 1 April 1998, otherwise than as property to replace or modernize any other processing asset;

(2) was used for the first time by the operator after 25 March 1997 and before 1 April 1998; and

(3) is regularly used by the operator in the fiscal year and is in the operator’s possession at the end of that year.

“26.0.2. Where the fiscal year of an operator comprises fewer than 12 months, the amount referred to in subparagraph 2 of the first paragraph of section 26.0.1 and each of the amounts determined under subparagraphs 1 and 3 of that paragraph shall be reduced respectively by the proportion of those amounts that the number of days by which 365 exceeds the number of days in the fiscal year is of 365.

“26.0.3. Where in a fiscal year an operator is associated, within the meaning of Chapter IX of Title II of Book I of Part I of the Taxation Act (chapter I-3), with one or more other operators, each of the amounts referred to in subparagraph 2 and subparagraph *b* of subparagraph 3 of the first paragraph of section 26.0.1 shall be allocated among the operators in the proportion established pursuant to an agreement a copy of which shall be sent to the Minister within six months after the end of their fiscal year and the amount allocated or the aggregate of the amounts allocated shall be equal to, for an amount referred to in that subparagraph 2, \$50,000,000 and, for the amount referred to in that subparagraph *b*, \$350,000,000.

In the absence of an agreement, or if the proportion is not established in a reasonable manner, the Minister shall allocate each of the amounts referred to in subparagraph 2 and subparagraph *b* of subparagraph 3 of the first paragraph of section 26.0.1 as is reasonable in the circumstances.”

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

17. (1) Section 35.3 of the said Act, amended by section 11 of chapter 4 of the statutes of 1996 and by section 5 of chapter 39 of the statutes of 1996, is again amended by adding, after paragraph 8, the following paragraph :

“(9) each of the amounts allowed before the amalgamation to a predecessor legal person, as a deduction in computing annual profit under subparagraph *h.1* of paragraph 2 of section 8, is deemed to be an amount so allowed the new legal person as a deduction.”

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

18. (1) Section 35.4 of the said Act is amended

(1) by replacing, in the portion before paragraph 1, the words “Where an operator, hereinafter referred to as the “purchaser”, acquires property described in section 9, otherwise than as part of an amalgamation, from another operator to whom he is related” by the words “Where a person or a partnership, hereinafter referred to as the “purchaser”, acquires property described in section 9, otherwise than as part of an amalgamation, from another person or partnership to whom the operator is related”;

(2) by replacing, in paragraph 2, “paragraphs 3 and 4” by “paragraphs 3, 4 and 6”;

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

“(6) for the purposes of section 26.0.1 where the purchaser acquired from the former owner all or substantially all of the processing assets owned by him immediately before the acquisition,

(a) the property is deemed to have a capital cost to the purchaser equal to the capital cost of the property to the former owner;

(b) the property is deemed to have been acquired new by the purchaser at the same time as the property was acquired new by the former owner;

(c) the property is deemed to have been used for the first time by the purchaser at the same time as the property was used for the first time by the former owner; and

(d) each of the amounts allowed to the former owner as an additional depreciation allowance under subparagraph *h.1* of paragraph 2 of section 8 is deemed to have been so allowed to the purchaser as a deduction.”

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

19. (1) Section 70 of the said Act is amended by replacing, in the first paragraph, “sections 1071 to 1079 of the Taxation Act (chapter I-3) and the said sections apply *mutatis mutandis*” by the words “Chapter III.2 of the Act respecting the Ministère du Revenu (chapter M-31) and that chapter applies, with the necessary modifications,”.

(2) Subsection 1 applies from 1 January 1998.

NATIONAL HOLIDAY ACT

20. (1) Section 4 of the National Holiday Act (R.S.Q., chapter F-1.1) is amended by replacing the second paragraph by the following paragraph:

“Notwithstanding the first paragraph, in the case of an employee who is an individual referred to in section 42.11 of the Taxation Act (chapter I-3), the indemnity is computed on the basis of the wage increased by the tips allocated under that section 42.11.”

(2) Subsection 1 applies from the first pay period that begins after 31 December 1997.

ACT RESPECTING MUNICIPAL TAXATION

21. (1) Section 220.10 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1) is amended by replacing “Sections 1057 to 1062 and 1066 to 1079 of the Taxation Act (chapter I-3)” by “Chapters III.1 and III.2 of the Act respecting the Ministère du Revenu (chapter M-31)”.

(2) Subsection 1 applies from 1 January 1998.

TOBACCO TAX ACT

22. (1) Section 8 of the Tobacco Tax Act (R.S.Q., chapter I-2), amended by section 9 of chapter 1 of the statutes of 1995 and by section 8 of chapter 63 of the statutes of 1995, is again amended by replacing paragraphs *a* to *d* by the following paragraphs :

“(a) \$0.0267 per cigarette and per cigar sold at a retail price of \$0.15 or less ;

“(b) \$0.0104 per gram of any loose tobacco ;

“(b.1) \$0.0052 per gram of any leaf tobacco ;

“(c) 56% of the retail price of each cigar other than a cigar sold at a retail price of \$0.15 or less ;

“(d) \$0.0262 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars.”

(2) Subsection 1 has effect from 26 March 1997. However, for the period that begins on 29 November 1996 and ends on 25 March 1997, paragraphs *a* to *d*, replaced by subsection 1, shall be read as follows :

“(a) \$0.0253 per cigarette and per cigar sold at a retail price of \$0.15 or less ;

“(b) \$0.0099 per gram of any loose tobacco ;

“(b.1) \$0.0045 per gram of any leaf tobacco ;

“(c) 55% of the retail price of each cigar other than a cigar sold at a retail price of \$0.15 or less ;

“(d) \$0.0227 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars.”

TAXATION ACT

23. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 11 of chapter 1 of the statutes of 1995, by section 1 of chapter 49 of the statutes of 1995, by section 12 of chapter 63 of the statutes of 1995, by section 8 of chapter 39 of the statutes of 1996, by section 13 of chapter 3 of the statutes of 1997, by section 10 of chapter 14 of the statutes of 1997 and by section 2 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in the French text, the definition of “courtier en valeurs mobilières inscrit” by the following definition :

“«courtier en valeurs mobilières inscrit» signifie une personne qui, en raison du fait qu’elle est inscrite ou titulaire d’un permis en vertu de la législation d’une province, est autorisée à négocier des titres à titre de mandataire ou de contrepartiste, sans restriction quant à la nature ou au type de titres qu’elle négocie;”;

(2) by replacing the definition of “specified investment business” by the following definition :

““specified investment business” has the meaning assigned by section 771.1;”;

(3) by replacing, in the French text, paragraph *b* of the definition of “prêt à la réinstallation” by the following paragraph :

“*b*) le prêt sert à acquérir une habitation ou une part du capital social d’une coopérative d’habitation acquise dans le seul but d’acquérir le droit d’habiter une habitation dont la coopérative est propriétaire, lorsque l’habitation est pour l’usage du particulier et constitue sa nouvelle résidence;”.

(2) Paragraph 2 of subsection 1 has effect from 26 March 1997.

24. (1) Section 2 of the said Act, amended by section 12 of chapter 1 of the statutes of 1995, is replaced by the following section :

“2. Unless the context indicates otherwise, for the purposes of this Part and the regulations, except for the definition of “person of Indian ancestry” in section 725.0.1, words referring to the father or mother of a taxpayer include a person whose child the taxpayer is, a person whose child the taxpayer had previously been within the meaning of paragraph *b* of the definition of “child” in section 1, or a person who is the father or mother of the taxpayer’s spouse.”

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

25. (1) Section 25 of the said Act, amended by section 14 of chapter 1 of the statutes of 1995, by section 17 of chapter 63 of the statutes of 1995 and by section 17 of chapter 14 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph :

“The tax payable under sections 750 and 751 by an individual referred to in the first paragraph is equal to the portion of the tax that the individual would pay, but for this paragraph, under those sections on the individual’s taxable income determined under section 24 if the individual were resident in Québec, that is the proportion, which shall not exceed 1, that that income earned in Québec is of the amount by which the amount that would have been the individual’s income, computed without reference to section 1029.8.50, had the individual been resident in Québec on the last day of the taxation year, exceeds any amount deducted by the individual under any of sections 726.20.2, 737.16, 737.16.1, 737.21, 737.22.0.3, 737.25 and 737.28 in computing that taxable income.”

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

26. (1) Section 29 of the said Act, amended by section 15 of chapter 1 of the statutes of 1995 and by section 18 of chapter 63 of the statutes of 1995, is again amended by striking out, in subparagraph *a* of the third paragraph, “sections 337 and 337.1.”.

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

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

“31. For the purpose of computing a taxpayer’s income for a taxation year, and unless otherwise prescribed,

(*a*) any deduction allowed to the taxpayer under a provision of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing the taxpayer’s income for a preceding taxation year in respect of which the taxpayer or, in the case of a partnership, each of the members, was not subject to tax under this Part, is deemed to have also been allowed to the taxpayer under the corresponding provision of this Part in computing the taxpayer’s income for that preceding year ;

(*b*) where, for the purposes of Part I of the Income Tax Act, the cost, the capital cost or the cost amount of property, to the taxpayer, determined as a consequence of the application of a particular provision of that Act in respect of a transaction or event that occurred during a preceding taxation year described in paragraph *a*, is different from that which it would have been at that time but for that provision, the corresponding provision of this Part is deemed, for the purpose of determining the cost, the capital cost or the cost amount, as the case may be, of the property to the taxpayer for the purposes of this Part, to have applied in respect of the property at the same time and for the same amounts as for the application of the particular provision in respect of the property.”

(2) Subsection 1 applies to taxation years that end after 16 October 1997.

28. (1) Section 36.1 of the said Act, enacted by section 16 of chapter 1 of the statutes of 1995, is repealed.

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

29. (1) Section 39 of the said Act, amended by section 21 of chapter 63 of the statutes of 1995, is again amended

(1) by replacing, in the English text, the portion before subparagraph ii of paragraph *a* by the following :

“39. An individual is not required to include in computing the individual’s income

(a) travel, personal or living expense allowances

i. expressly established by the laws of Canada and which, where they are received in the year by an individual in relation to an office held by the individual as a member of the Senate or of the House of Commons of Canada, exceed the amount determined in respect of the individual for that year under section 39.1,”;

(2) by replacing, in the English text, subparagraph iii of paragraph *a* by the following subparagraph :

“iii. paid under the authority of the Treasury Board of Canada to a person who was appointed or whose services were engaged pursuant to the Inquiries Act (Revised Statutes of Canada, 1985, chapter I-11) in respect of the discharge of the person’s duties relating to such appointment or engagement;”;

(3) by replacing, in the English text, paragraphs *b* to *e* by the following paragraphs :

“(b) travel and separation allowances received by the individual under service regulations as a member of the Canadian Forces;

“(c) representation or other special allowances received by the individual in respect of a period of absence from Canada as a person described in paragraph *b*, *c* or *d* of section 8;

“(d) representation or other special allowances received by the individual as an agent-general of a province in respect of a period while the individual was in Ottawa in such capacity;

“(e) reasonable allowances received by the individual as a minister or clergyman in charge of or ministering to a diocese, parish or congregation for transportation incident to the discharge of the duties of that office or employment;”;

(4) by striking out paragraph *f*;

(5) by replacing, in the English text, paragraph *f.1* by the following paragraph :

“(f.1) allowances not exceeding a reasonable amount received by the individual for the purchase or care of distinctive clothing the individual is required to wear, under the terms of the individual’s contract of employment, in the performance of the duties of the employment; and”;

(6) by inserting, after paragraph *f.1*, the following paragraph :

“(f.2) allowances received by the individual for expenses incidental to the individual’s relocation, by reason of a change in the location of employment

with the individual's employer, up to an amount not exceeding an amount equal to two weeks' salary, calculated on the basis of the salary paid to the individual on the date of reassignment;";

(7) by replacing, in the English text, paragraph *g* by the following paragraph :

“(g) travel, personal, living or representation expense allowances determined by regulation.”

(2) Paragraphs 4 and 6 of subsection 1 apply from the taxation year 1997.

30. Section 39.1 of the said Act is amended, in the English text, by replacing paragraph *a* by the following paragraph :

“(a) 6% of the individual's income for the year from an office held by the individual as a member of the Senate or of the House of Commons of Canada, determined by taking into account travel, personal or living expense allowances expressly established by the laws of Canada, which the individual receives in the year in relation to such office;”.

31. Sections 39.4 and 39.5 of the said Act, enacted by section 18 of chapter 14 of the statutes of 1997, are replaced, in the English text, by the following sections :

“39.4. An individual who is a member of the council of a regional county municipality is not required to include in computing the individual's income for a taxation year an amount received by the individual in the year from the municipality as an allowance for, or reimbursement of, travel expenses other than those incident to the discharge of the individual's duties as such a member, to the extent that the amount does not exceed a reasonable amount.

“39.5. An individual who had part-time employment with an employer with whom the individual was dealing at arm's length and who during a period throughout which the individual had that employment, had other employment or was carrying on a business, is not required to include in computing the individual's income for a taxation year an amount received by the individual in the year from that employer as an allowance for, or reimbursement of, travel expenses other than expenses incurred in the performance of the duties of the individual's part-time employment, to the extent that the amount does not exceed a reasonable amount, if the duties of the part-time employment must be performed at a location not less than 80 kilometres from both the individual's ordinary place of residence and the principal place of the individual's other employment or the principal place of the individual's business.”

32. Section 40 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995, is replaced, in the English text, by the following section :

“40. An individual is not required to include in computing the individual’s income,

(a) reasonable allowances for travel expenses received by the individual from the individual’s employer in respect of any period when the individual was employed in connection with the selling of property or negotiating of contracts for the employer;

(b) reasonable allowances for travel expenses, other than allowances for the use of a motor vehicle, received from the employer by the individual as an employee, other than an employee referred to in paragraph *a*, for travelling away from the local municipal territory or the metropolitan area, as the case may be, where the employer’s establishment at which the employee ordinarily works or with which the employee is ordinarily connected is located, in the performance of the duties of the employment; or

(c) reasonable allowances for the use of a motor vehicle received by the individual as an employee, other than an employee referred to in paragraph *a*, from the employer for travelling in the performance of the duties of the employment.”

33. (1) Section 42.0.1 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs :

“(a) the transportation of the individual between the individual’s ordinary place of residence and the individual’s work location, including parking near that location, if the individual is blind or paragraphs *a* to *c* of section 752.0.14 apply in respect of the individual for the year by reason of the individual’s mobility impairment; or

“(b) an attendant to assist the individual in the performance of the individual’s duties if paragraphs *a* to *c* of section 752.0.14 apply in respect of the individual for the year.”

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

34. (1) Sections 42.1 to 42.5 of the said Act are repealed.

(2) Subsection 1 applies from 1 January 1998. In addition, where an agreement is entered into by an individual and an employer after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1), enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), it applies to tips that the individual receives or benefits from in the performance of employment duties with that employer after the agreement is entered into.

35. (1) The said Act is amended by inserting, after section 42.5, the following sections :

“42.6. In this division,

“regulated establishment” means, subject to section 42.7,

(a) a place situated in Québec specially laid out where lodging or food for consumption on the premises is ordinarily provided in return for payment ;

(b) a place situated in Québec where alcoholic beverages are served for consumption on the premises in return for payment ;

(c) a railway train or a vessel, operated in connection with a business carried on entirely or almost entirely in Québec and on which food or beverages are served ;

(d) a place situated in Québec where, in connection with the carrying on of a business, food or beverages for consumption elsewhere than on the premises are provided in return for payment ;

“tipable sale” means a sale in a regulated establishment that, in keeping with the prevailing custom in Québec, is likely to entail tipping by the customer, but does not include a sale of food or beverages for consumption elsewhere than on the premises of the regulated establishment.

“42.7. For the purposes of the definition of “regulated establishment” in section 42.6, a regulated establishment does not include

(a) a place situated in Québec where mainly lodging or food, or both, are provided by the week, month or year in return for payment ;

(b) a place where the activity consisting in the providing of food and beverages is carried on by an educational institution, a hospital institution, a shelter for needy persons or victims of violence or any other similar establishment ;

(c) a place where the activity consisting in the providing of food and beverages is carried on by a charity or a similar organization but is not carried on on a regular basis ;

(d) a cafeteria ;

(e) a fast food outlet in which the employees do not ordinarily receive tips from the majority of customers.

“42.8. An individual shall, in computing income for the year, include the tips the individual receives or benefits from, except

(a) tips remitted to another individual under a tip-sharing arrangement that has been implemented for the employees performing their employment duties for the same regulated establishment as the regulated establishment for which the individual performs employment duties, and that is managed by the employees ;

(b) the portion of tips not covered in paragraph *a* and that is equal to the amount remitted to the individual's employer pursuant to a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (chapter N-1.1); and

(c) tips in respect of which the individual is not required under section 97.8 of the Act respecting labour standards to enter into a tip remittance agreement and that are service charges.

“42.9. An individual performing employment duties for a regulated establishment is not required in computing income for the year to include the portion of the individual's salary, wages or other remuneration that is equal to the amount borne by the individual in the year as credit card costs in relation to the remittance of the individual's tips.

“42.10. An individual shall, in computing income for the year, include all tips attributed to the individual in the year pursuant to section 42.11.

“42.11. Every person who employs an individual who receives or benefits from tips in the performance of employment duties for a regulated establishment shall attribute to that individual, at each pay period, an amount equal to the amount by which 8% of the total of the amounts of all tippable sales that are attributable to the pay period and to that individual in the performance of employment duties for the regulated establishment exceeds the total of the amounts of each tip in respect of tippable sales that is attributable to the pay period and to the individual in the performance of employment duties for the regulated establishment.

“42.12. Section 42.11 does not apply to an individual in relation to employment duties performed by the individual for a regulated establishment where all or substantially all of the tips the individual receives or benefits from in the performance of employment duties are derived from service charges paid by the customers of the regulated establishment and where

(a) the service charges required from the customer in respect of a tippable sale are, in all or substantially all cases, equal to at least 10% of the amount of the tippable sale ;

(b) the customers are informed of the mandatory nature of the service charges and of the percentage charged in relation to the amount of tippable sales ; and

(c) the tip-sharing arrangement, if any, is not managed by the employees.

In addition, section 42.11 does not apply, for a pay period, to an individual in relation to employment duties as a cloakroom attendant performed for a regulated establishment or to an individual in relation to employment duties performed for a regulated establishment where

(a) all or substantially all of the tips the individual receives or benefits from during the pay period are derived from a redistribution of tips received or benefited from by other individuals ;

(b) the individual is employed by a corporation that operates the regulated establishment and the shares of the capital stock of which carrying voting rights in all circumstances are more than 40% held, at the end of the pay period, by the individual or the individual's spouse ;

(c) the individual is employed by a partnership that operates the regulated establishment and the share of the individual's spouse of the income or loss of the partnership for a fiscal period ending at the end of the pay period is equal to more than 40% of the income or loss of the partnership or, where no fiscal period of the partnership ends with the end of the pay period, would be equal to more than 40% of the income of the partnership, if the end of the partnership's fiscal period coincided with the end of the pay period and the partnership's income for that fiscal period were equal to \$1,000,000; or

(d) the individual is employed by the individual's spouse.

“42.13. For the purposes of sections 42.11 and 42.14, the following rules apply :

(a) subject to paragraph *b*, a tippable sale is attributable to the pay period during which the sale was made ;

(b) where the proceeds of a tippable sale in a regulated establishment are not received by the operator of the regulated establishment before the end of the pay period referred to in paragraph *a* in respect of that tippable sale, and where remittance of the tip attributable to that sale to the individual in respect of whom the sale is attributable, is deferred to a time after that pay period, the sale is attributable to the pay period during which the proceeds of the sale are received by the operator of the regulated establishment ;

(c) a tip in respect of a sale made to a customer that is a tippable sale attributable to an individual, means the amount by which the tip determined by the customer in respect of the sale, including the portion of the tip to be remitted to another individual under a tip-sharing arrangement in effect in the regulated establishment, exceeds the amount borne by the individual as credit card costs in relation to the remittance of the tip ;

(d) subject to paragraph *e*, a tip in respect of a tippable sale is attributable to the pay period during which the sale is made ;

(e) where the proceeds of a tippable sale in a regulated establishment are not received by the operator of the regulated establishment before the end of the pay period referred to in paragraph *d* in respect of that sale, and where remittance of the tip attributable to that sale to the individual in respect of whom the sale is attributable, is deferred to a time after that pay period, the tip

is attributable to the pay period during which the proceeds of the sale are received by the operator of the regulated establishment.

“42.14. Every person who operates a regulated establishment for which an individual performs employment duties without being employed by the regulated establishment shall declare in writing to the employer of that individual in relation to those duties, at the end of each pay period of that employer, the total of the amounts of each of the tippable sales attributable to the individual and at that pay period.

“42.15. Where the Minister considers it necessary, the Minister may determine, in respect of a regulated establishment or class of sales of a regulated establishment, a percentage that is lesser than the percentage mentioned in section 42.11.

The Minister may determine, in respect of a regulated establishment or a class of sales of a regulated establishment, a percentage that is lesser than the percentage mentioned in section 42.11 if the person who is to attribute an amount under that section applies therefor or, where that person refuses to do so, if the majority of individuals performing their employment duties for the regulated establishment or for a class of sales of the regulated establishment apply therefor and demonstrate to the satisfaction of the Minister that the percentage of 8% is too high having regard to the circumstances.

The percentage so determined shall not, however, be less than 5%.”

(2) Subsection 1, where it enacts sections 42.6 to 42.9 of the said Act, except where it enacts the definition of “tippable sale” in section 42.6 of the said Act, applies from 1 January 1998. In addition, where an agreement is entered into by an individual and an employer after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1), enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), sections 42.6, without reference to the definition of “tippable sale”, and 42.7 to 42.9 of the said Act, enacted by subsection 1, apply to tips that the individual receives or benefits from in the performance of employment duties with that employer after the agreement is entered into.

(3) Subsection 1, where it enacts the definition of “tippable sale” in section 42.6 and sections 42.10 to 42.15 of the said Act, applies from the first pay period of an employer that begins after 31 December 1997.

36. The heading of Division III of Chapter III of Title II of Book II of Part I of the said Act is replaced, in the English text, by the following heading :

“SALESMEN’S EXPENSES AND TRAVEL EXPENSES”.

37. Section 62 of the said Act is amended, in the English text,

(1) by replacing subsections 1 and 2 by the following subsections :

“(1) An individual whose office or employment is connected with the selling of property or negotiating of contracts for the individual’s employer may, in accordance with this division, deduct the amounts expended by the individual in the year to earn the income from the office or employment, if the individual is required, under the contract of employment, to pay the individual’s own expenses, if the individual is required to carry on all or part of the duties of the office or employment away from the employer’s place of business, and if the individual is remunerated in whole or in part by commissions or other similar amounts fixed by reference to the volume of the sales made or the contracts negotiated.

“(2) An individual shall not claim a deduction under this section if the individual receives an allowance for travel expenses that is not required to be included in computing the individual’s income under paragraph *a* of section 40.”;

(2) by replacing paragraph *b* of subsection 3 by the following paragraph:

“(b) outlays or expenses that, under section 134, would not be deductible in computing the individual’s income for the year if the office or employment were a business carried on by the individual, or”.

38. Section 63 of the said Act is replaced, in the English text, by the following section:

“63. An individual may deduct amounts expended by the individual in the year, other than motor vehicle expenses, for travelling in the course of the office or employment, if the individual is required to perform all or part of the duties of the office or employment away from the employer’s place of business or in different places and is required under the contract of employment to pay the travel expenses incurred by the individual in the performance of the duties of the office or employment.

An individual shall not claim any deduction under this section if the individual receives an allowance for travel expenses that is not required to be included in computing the individual’s income for the year by reason of paragraph *e* of section 39 or paragraph *a* or *b* of section 40, or if the individual claims a deduction for the year under section 62, 65.1, 66 or 67.”

39. (1) The said Act is amended by inserting, after section 78.6, the following section:

“78.7. An individual may deduct, in computing the individual’s income for a taxation year from all employments of the individual as a volunteer fireman, a single amount equal to the lesser of \$600 and the aggregate of the individual’s income for the year from each employment as a volunteer fireman, computed without reference to this chapter.

However, an individual shall not deduct such an amount if the individual performs, in the year, the duties of a fireman for more than 200 hours or if the aggregate of the individual's income for the year from each employment as a fireman, computed without reference to this chapter, exceeds \$3,000.

For the purposes of the first paragraph, an individual holds employment as a volunteer fireman during a taxation year where, as a fireman, the individual is called upon to act, in the year, in almost all cases, for immediate assistance in emergency or disaster situations or for emergency response training."

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

40. (1) Section 87 of the said Act, amended by section 21 of chapter 1 of the statutes of 1995, by section 32 of chapter 49 of the statutes of 1995, by section 26 of chapter 63 of the statutes of 1995, by section 27 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997, by section 29 of chapter 14 of the statutes of 1997 and by section 11 of chapter 31 of the statutes of 1997, is again amended by replacing subparagraph ii of the paragraph *w* by the following subparagraph:

"ii. except as provided in sections 1029.8.18, 1029.8.18.0.1, 1029.8.21.9 and 1029.8.32, in subparagraph i of subparagraphs *a* and *b* of the first paragraph of section 1029.8.33.3, in subparagraph *c* of the first paragraph of section 1029.8.33.3, in section 1029.8.33.7.1, in subparagraph *e* of the second paragraph of section 1029.8.34, in section 1029.8.36.0.1, in the definition of "qualified wages" in the first paragraph of sections 1029.8.36.0.4 and 1029.8.36.4, in sections 1029.8.36.0.9 and 1029.8.36.18 and in subparagraph *a* of the third paragraph of section 1029.8.36.54, does not reduce, for the purposes of this Part, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be,".

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

41. (1) Section 119.5 of the said Act, amended by section 28 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the portion before paragraph *a*, "771.8.2" by "771.8.5".

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

42. Section 133 of the said Act is replaced, in the English text, by the following section:

"133. A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, personal or living expenses of the taxpayer, other than travel expenses incurred by the taxpayer while away from home in the course of carrying on the taxpayer's business."

43. (1) The said Act is amended by inserting, after section 135.3.1, the following section :

“135.3.2. No individual may deduct, in computing the individual’s income from a business or property for a taxation year, an amount paid in that year or payable in respect of that year as safety deposit box rental fees with a financial institution.”

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

44. (1) Section 156.2 of the said Act is amended by replacing, in the first paragraph, “25%” by “20%”.

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

45. (1) Section 156.3 of the said Act, amended by section 199 of chapter 1 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the first paragraph, “25%” by “20%”.

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

46. (1) The said Act is amended by inserting, after section 156.4, the following :

“DIVISION VIII.2

“SUPPLEMENTARY DEDUCTION IN RESPECT OF CERTAIN INVESTMENTS

“156.5. Subject to the second paragraph, a taxpayer other than a trust may deduct, in computing the taxpayer’s income from a business for a taxation year,

(a) where the taxpayer is an individual, the proportion of the amount determined for the year in respect of the individual under the first paragraph of section 156.6 that the aggregate of the income earned in Québec and elsewhere by the individual for the year is of the income earned in Québec by the individual for the year;

(b) where the taxpayer is a corporation, the proportion of the amount determined for the year in respect of the corporation under the first paragraph of section 156.6 that the aggregate of the business carried on in Canada or Québec and elsewhere by the corporation in the year is of the business carried on in Québec by the corporation in the year; or

(c) where the taxpayer is a partnership, the amount determined for the year in respect of the partnership under the second paragraph of section 156.6.

A taxpayer may not, under the first paragraph, deduct in computing the taxpayer's income from a business for a taxation year an amount in respect of property acquired from a person with whom the taxpayer was not dealing at arm's length at the time of the acquisition, if that person was entitled to deduct, for a taxation year preceding the taxation year in which the property was disposed of, an amount in computing the taxpayer's income from a business under the first paragraph in respect of the property.

“156.6. The amount to which subparagraphs *a* and *b* of the first paragraph of section 156.5 refer in relation to a taxpayer for a taxation year, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the taxpayer under paragraph *a* of section 130 or the second paragraph of section 130.1, in computing the taxpayer's income for the year, in respect of property acquired before 1 January 1999 which is prescribed depreciable property for the purpose, where the taxpayer is an individual, of subparagraph *a* of the second paragraph of section 156.2, and where the taxpayer is a corporation, of subparagraph *a* of the second paragraph of section 156.3.

The amount to which subparagraph *c* of the first paragraph of section 156.5 refers in relation to a taxpayer that is a partnership for a taxation year, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the taxpayer under paragraph *a* of section 130 or the second paragraph of section 130.1, in computing the taxpayer's income for the year, in respect of property acquired before 1 January 1999 which would be prescribed depreciable property for the purpose of subparagraph *a* of the second paragraph of section 156.3 if the partnership were a corporation.

“156.7. For the purposes of section 156.5,

(*a*) the computation of income earned in Québec and of income earned in Québec and elsewhere is made in the manner prescribed in the regulations made under section 22, with the necessary modifications ; and

(*b*) the computation of business carried on in Canada, business carried on in Québec and business carried on in Québec and elsewhere is made in the manner prescribed in the regulations made under section 771, with the necessary modifications.”

(2) Subsection 1 applies in respect of property acquired by a taxpayer after 25 March 1997, other than property acquired by the taxpayer pursuant to a written agreement entered into before 26 March 1997 or the construction of which by or on behalf of the taxpayer had begun before 25 March 1997.

47. Section 230.0.0.3 of the said Act, enacted by section 29 of chapter 1 of the statutes of 1995, is amended in the French text by replacing the words “une gratification” and “la gratification” respectively by the words “un boni” and “le boni”.

48. (1) Section 234 of the said Act, amended by section 63 of chapter 39 of the statutes of 1996 and by section 52 of chapter 14 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

“234. Unless otherwise provided in this Part, the gain from the disposition of property shall be computed by subtracting from the proceeds of disposition the aggregate of

(a) the adjusted cost base of that property immediately before the disposition and the expenses made or incurred by the taxpayer for the purpose of making the disposition; and

(b) subject to section 234.1, an amount not exceeding the least of

i. the reasonable amount that the taxpayer may claim as a reserve in respect of the portion of the gain equal to such proportion that the portion of the proceeds of disposition that are payable to the taxpayer after the end of the year is of the total proceeds of disposition,

ii. the amount equal to the product obtained when 1/5 of the gain is multiplied by the amount, if any, by which 4 exceeds the number of preceding taxation years of the taxpayer ending after the disposition of the property, and

iii. the amount that the taxpayer may claim as a deduction for the year, under subparagraph iii of paragraph *a* of subsection 1 of section 40 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in computing, for the purposes of that Act, the taxpayer’s gain for the year from that disposition.”

(2) Subsection 1 applies in respect of dispositions occurring during a taxation year that ends after 16 October 1997.

49. (1) Section 255 of the said Act, amended by section 61 of chapter 49 of the statutes of 1995, by section 72 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 54 of chapter 14 of the statutes of 1997, is again amended by replacing, in the portion of paragraph *e* before subparagraph i, the words “the taxpayer and the corporation have made an election under section 518 or 529” by the words “section 518 or 529 applies”.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

50. (1) Section 309.1 of the said Act is repealed.

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

51. (1) Section 311 of the said Act, amended by section 75 of chapter 49 of the statutes of 1995, by section 34 of chapter 63 of the statutes of 1995 and

by section 290 of chapter 14 of the statutes of 1997, is again amended by inserting, after paragraph *k.1*, the following paragraphs :

“(k.2) a pension under the Automobile Insurance Act (chapter A-25) or a prescribed law of another province ;

“(k.3) an indemnity under the Act to promote good citizenship (chapter C-20) ;

“(k.4) a compensation under the Crime Victims Compensation Act (chapter I-6) or a prescribed law of another province ;

“(k.5) an indemnity under section 36 of the Act respecting occupational health and safety (chapter S-2.1) ;”.

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

52. (1) Section 311.1 of the said Act, replaced by section 31 of chapter 1 of the statutes of 1995 and by section 35 of chapter 63 of the statutes of 1995, is again replaced by the following section :

“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 from a business or property.”

(2) Subsection 1 applies in respect of social assistance payments received after 31 December 1997.

53. (1) Section 312 of the said Act, amended by section 32 of chapter 1 of the statutes of 1995, by section 76 of chapter 49 of the statutes of 1995, by section 290 of chapter 14 of the statutes of 1997 and by section 44 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in the English text, paragraphs *a* and *b* by the following paragraphs :

“(a) an amount received under a decree, order or judgment of a competent tribunal or under a written agreement, as alimony or other allowance payable on a periodic basis for the maintenance of the recipient thereof, a child of the recipient or both the recipient and child, if the recipient, because of the breakdown of the recipient’s marriage occurring before 1 January 1993, was separated pursuant to a divorce, judicial separation or written separation agreement and was living separate and apart from the spouse or former spouse who was required to make the payment at the time the payment was received and throughout the remainder of the year ;

“(b) an amount received under an order of a competent tribunal, as an allowance payable on a periodic basis for the maintenance of the taxpayer, the

children of the taxpayer, or both the taxpayer and the children, if, at the time the payment was received and throughout the remainder of the year, the taxpayer, because of the breakdown of the taxpayer's marriage occurring before 1 January 1993, was living separate and apart from the spouse who was required to make the payment;" ;

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

"(b.2) an amount received under a decree, order or judgment of a competent tribunal as a reimbursement of an amount that was deducted under any of paragraphs *a* to *b* of subsection 1 of section 336 in computing the income of the taxpayer for the year or a preceding taxation year or that could have been deducted under any of those paragraphs in computing the income of the taxpayer for a preceding taxation year but for section 334.1, as it read for that preceding year;" ;

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

"i. an amount otherwise required to be included in computing the taxpayer's income for the year," ;

(4) by replacing, in the English text, paragraph *h* by the following paragraph :

"(h) the amount by which any grant received by the taxpayer to carry on research or any similar work exceeds the total of expenses incurred by the taxpayer for that purpose in the year, in the preceding year but after obtaining confirmation that the grant would be awarded to the taxpayer, and in the year following the year in which the grant is received, to the extent that those expenses did not reduce an amount received as a grant for another year, other than

i. personal or living expenses incurred by the taxpayer while away from home in the course of carrying on the work except travel expenses, which include the amounts expended for meals and lodging,

ii. expenses in respect of which the taxpayer is reimbursed, or

iii. expenses that are otherwise deductible in computing the taxpayer's income for the year."

(2) Paragraph 2 of subsection 1 applies from the taxation year 1997.

54. (1) Section 334.1 of the said Act, enacted by section 36 of chapter 1 of the statutes of 1995, is repealed.

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

55. (1) Section 335 of the said Act, amended by section 37 of chapter 1 of the statutes of 1995, is again amended

- (1) by striking out, in the portion before paragraph *a*, “III,”;
- (2) by striking out, in paragraph *a*, “paragraph *a* of section 337 and”.
- (2) Subsection 1 applies from the taxation year 1997.

56. (1) Section 336 of the said Act, amended by section 38 of chapter 1 of the statutes of 1995, by section 91 of chapter 18 of the statutes of 1995, by section 79 of chapter 49 of the statutes of 1995, by section 36 of chapter 63 of the statutes of 1995, by section 63 of chapter 14 of the statutes of 1997 and by section 45 of chapter 31 of the statutes of 1997, is again amended

- (1) by replacing paragraph *b.0.1* of subsection 1 by the following paragraph :

“(b.0.1) the amount by which an amount paid by an individual in the year or one of the two preceding taxation years under a decree, order or judgment of a competent tribunal, as a repayment of an amount that was included under any of paragraphs *a* to *b.1* of section 312 in computing the individual’s income for the year or a preceding taxation year, or that should have been included under any of those paragraphs in computing the individual’s income for a preceding taxation year if the individual had not elected under section 309.1, as it read for that year, to the extent that the amount was not deducted in computing the individual’s income for a preceding taxation year, exceeds the portion of that amount in respect of which section 334.1 applied for a preceding taxation year, as that section read for that preceding year;”;

- (2) by replacing paragraph *d* of subsection 1 by the following paragraph :

“(d) an overpayment of any amount described in any of paragraphs *a*, *e* and *e.1* of section 311 or section 311.1, of any pension under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9), of any benefit under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, or of any benefit under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), 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 by virtue of Part VII of the Employment Insurance Act;”;

- (3) by inserting, after paragraph *d.1* of subsection 1, the following paragraph :

“(d.2) an amount reimbursed by the taxpayer in the year pursuant to section 35 of the Act respecting income security (chapter S-3.1.1) or a similar provision of an Act of a province, to the extent that the amount has been included in computing the taxpayer’s income under section 311.1 for the year or a preceding taxation year;”;

(4) by striking out, in subsection 2.2, “(chapter S-3.1.1)”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1997.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 1998.

57. (1) Chapter III of Title VI of Book III of Part I of the said Act is repealed.

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

58. Section 350 of the said Act is amended, in the English text, by replacing paragraphs *a* to *f* by the following paragraphs :

“(a) travel costs, including a reasonable amount for meals and lodging, in the course of moving the individual and members of the individual’s household ;

“(b) the cost to the individual of transporting or storing household effects in the course of moving ;

“(c) the cost of meals and lodging near the individual’s old residence or new residence for the individual and members of the individual’s household for a period not exceeding 15 days ;

“(d) the cost to the individual of cancelling the lease of the individual’s old residence ;

“(e) the selling costs of the individual’s old residence ; and

“(f) where the old residence is sold by the individual or the individual’s spouse as a result of the move, the legal expenses incurred for the acquisition of the individual’s new residence that are required for that acquisition and any taxes imposed on the transfer or registration of rights arising out of the acquisition of the new residence.”

59. (1) Section 421.2 of the said Act, amended by section 41 of chapter 1 of the statutes of 1995, by section 236 of chapter 49 of the statutes of 1995, by section 124 of chapter 39 of the statutes of 1996 and by section 74 of chapter 14 of the statutes of 1997, is again amended

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

“(f) is an amount that is the cost of a subscription to cultural events if the subscription includes participation in at least three such events which must be held in Québec and be” ;

(2) by inserting, after subparagraph *ii* of subparagraph *f* of the first paragraph, the following subparagraph :

“ii.1. vocal performances, other than such performances held in venues normally used for sports events;”;

(3) by adding, after subparagraph *f* of the first paragraph, the following subparagraph:

“(g) is an amount that is the cost of all or substantially all the tickets for a performance in an event referred to in any of subparagraphs i to iv of subparagraph *f*.”;

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

“For the purposes of subparagraphs *f* and *g* of the first paragraph, the cost of a subscription or ticket, as the case may be, does not include an amount paid or payable in respect of meals or beverages consumed by a person.”

(2) Subsection 1 applies to purchases of tickets made after 25 March 1997.

60. (1) Section 442 of the said Act is replaced by the following section:

“442. Sections 440 and 441.1 do not apply to any property of a deceased individual in respect of which the individual’s legal representative makes a valid election under subsection 6.2 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election referred to in the first paragraph is extended or a previous such election is revoked, the legal representative of the individual

(a) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the legal representative to the Minister of National Revenue; and

(b) is liable to a penalty equal to \$100 for each complete month from the individual’s filing-due date for the year of the individual’s death and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to \$5,000.

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

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

61. (1) Section 444 of the said Act, amended by section 127 of chapter 49 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended

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

“Notwithstanding the foregoing, where the legal representative of the individual referred to in the first paragraph makes a valid election under subsection 9 or 9.2 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of property referred to in the first paragraph, the following rules apply :”;

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

“(b) the individual is deemed to have, immediately before the individual’s death, disposed of the property and received proceeds of disposition therefor equal to

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

ii. such amount as is determined in respect of the property under subsection 9 or 9.2, as the case may be, where subparagraph i does not apply in respect of the property ;”;

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

“(c) the child is deemed to have acquired the property at the time of the death at a cost equal to the proceeds of the disposition established in the child’s respect under subparagraph *b*.

“However, subparagraph i of subparagraph *b* of the second paragraph does not apply in respect of the property, where the amount that would, but for that subparagraph i, be referred to in respect of the property in subparagraph ii of that subparagraph *b* exceeds the amount designated in its respect in that subparagraph i, unless all or substantially all of the difference is justified by an amount by which the cost amount of the property to the individual, immediately before the individual’s death, for the purposes of Part I of the Income Tax Act exceeds the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

“On application by the legal representative of the deceased individual, the Minister may allow subparagraph *i* of subparagraph *b* of the second paragraph to be deemed not to have applied in respect of the property, or may allow the legal representative, after the individual’s filing-due date for the year in which the individual died, to designate pursuant to that subparagraph *i* an amount or a new amount in respect of the property; in the latter case, the new amount designated is deemed to be the only amount designated by the legal representative under that subparagraph in respect of the property.

“Where an application made under the fourth paragraph is granted by the Minister, the legal representative of the deceased individual is liable to a penalty equal to \$100 for each complete month from the individual’s filing-due date for the year in which the individual died and ending on the day on which the application referred to in that paragraph is sent to the Minister; in such case, this paragraph is deemed not to apply in respect of any other such application made previously by the legal representative in respect of the transfer or distribution of the property.

“Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election under subsection 9 or 9.2, as the case may be, of section 70 of that Act is extended or such an election made previously is amended or revoked, the legal representative of the deceased individual

(*a*) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the legal representative to the Minister of National Revenue; and

(*b*) is liable to a penalty equal to \$100 for each complete month from the individual’s filing-due date for the year of the individual’s death and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister.

“However, the total amount of the penalties to which the legal representative of the deceased individual is liable under this section in respect of the property may not exceed the greater of the penalties to which the legal representative would otherwise be liable in respect of the property, under the fifth paragraph or subparagraph *b* of the sixth paragraph nor \$5,000.

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

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

62. (1) Section 445 of the said Act is amended by replacing paragraph *b* by the following paragraph :

“(b) where the legal representative makes a valid election under paragraph *b* of subsection 7 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and lists, in the individual’s fiscal return referred to for that purpose in that paragraph, one or more properties, other than a net income stabilization account, that were, on or after the individual’s death and as a consequence thereof, transferred or distributed to the trust, the fair market value of which properties immediately after the individual’s death was not less than the debts of the individual, minus the amounts described in section 449, section 440 does not apply to the properties so listed and, notwithstanding the payment of, or provision for payment of, any outstanding debts of the individual at the time of the death, the trust is deemed to be a trust referred to in section 440.”

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

63. (1) Section 446 of the said Act is amended by replacing the portion before paragraph *a* by the following :

“446. Where the fair market value, immediately after the individual’s death, of the properties referred to in paragraph *b* of section 445 exceeds the debts of the individual, minus the amounts described in section 449, and the legal representative designates one property, in the return referred to in that paragraph *b*, that is capital property other than depreciable property or money,”.

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

64. (1) Section 450 of the said Act, amended by section 128 of chapter 49 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended

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

“However, if the trust referred to in the first paragraph makes a valid election under subsection 9.1 or 9.3 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of property referred to in the first paragraph, the following rules apply :”;

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

“(b) the trust is deemed to have, immediately before the spouse’s death, disposed of the property and received proceeds of disposition therefor equal to

i. subject to the third paragraph and unless otherwise indicated by the trust, such amount established in accordance with section 450.5 as is designated in respect of the property by the trust in its fiscal return filed in accordance with section 1000 for the year in which the spouse died, where the trust and the child, at the end of the trust's taxation year in which the death occurred, were resident in Québec and where the proportion determined under the second paragraph of section 22, in respect of each of those two latter persons to whom that second paragraph applies for the year in which the spouse died, was not less than 9/10 for that year, or

ii. such amount as is determined in respect of the property under subsection 9.1 or 9.3, as the case may be, where subparagraph i does not apply in respect of the property,";

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

“(c) the child is deemed to have acquired the property at the time of the death at a cost equal to the proceeds of the disposition established in the child's respect under subparagraph *b*.

“However, subparagraph i of subparagraph *b* of the second paragraph does not apply in respect of the property, where the amount that would, but for that subparagraph i, be referred to in respect of the property in subparagraph ii of that subparagraph *b* exceeds the amount designated in its respect in that subparagraph i, unless all or substantially all of the difference is justified by an amount by which the cost amount of the property to the trust, immediately before the spouse's death, for the purposes of Part I of the Income Tax Act exceeds the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

“On application by the trust, the Minister may allow subparagraph i of subparagraph *b* of the second paragraph to be deemed not to have applied in respect of the property, or may allow the trust, after the trust's filing-due date for the year in which the spouse died, to designate pursuant to that subparagraph i an amount or a new amount in respect of the property; in the latter case, the new amount designated is deemed to be the only amount designated by the trust under that subparagraph in respect of the property.

“Where an application made under the fourth paragraph is granted by the Minister, the trust is liable to a penalty equal to \$100 for each complete month from the trust's filing-due date for the year in which the spouse died and ending on the day on which the application referred to in that paragraph is sent to the Minister; in such case, this paragraph is deemed not to apply in respect of any other such application made previously by the trust in respect of the transfer or distribution of the property.

“Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election under subsection 9.1 or 9.3, as the case may be, of section 70 of that Act is extended or such an election made previously is amended or revoked, the trust

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

(b) is liable to a penalty equal to \$100 for each complete month from the trust's filing-due date for the year in which the spouse died and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister.

“However, the total amount of the penalties to which the trust is liable under this section in respect of the property may not exceed the greater of the penalties to which the trust would otherwise be liable in respect of the property, under the fifth paragraph or subparagraph *b* of the sixth paragraph nor \$5,000.

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

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

65. (1) Section 450.5 of the said Act, amended by section 129 of chapter 49 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended

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

“450.5. For the purposes of subparagraph *i* of subparagraph *b* of the second paragraph of sections 444 and 450, the amount designated in respect of property by the legal representative of the individual referred to in section 444 or by the trust referred to in section 450, as the case may be, shall not be less than the lesser of nor greater than the greater of the following amounts :” ;

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

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

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

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

“450.6. Where any property has been acquired by an individual in circumstances where any of sections 444, 450 or 459 applied, where as a consequence of the death of the individual occurring after 31 December 1983 the property has been transferred or distributed to the father or mother of the individual, and where the individual’s legal representative makes a valid election under paragraph *c* of subsection 9.6 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the property, section 444 applies to the transfer or distribution as if the words “to a child” and “in the child” were replaced respectively by the words “to the father or mother” and “in the father or mother”, and the words “the child” were replaced by the words “the father or mother”.”

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

67. (1) Section 454 of the said Act is amended by replacing the third paragraph by the following paragraph :

“This section does not apply to such a transfer where the taxpayer makes a valid election under subsection 1 of section 73 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have the provisions of that subsection not apply to the transfer.”

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

68. (1) The said Act is amended by inserting, after section 455, the following section :

“455.0.1. Where, in respect of the property referred to in section 454 and by virtue of subsection 3.2 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the time for making the election referred to in the third paragraph of section 454 is extended or such an election made previously is revoked, the taxpayer

(*a*) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the taxpayer to the Minister of National Revenue ; and

(*b*) is liable to a penalty equal to \$100 for each complete month from the taxpayer’s filing-due date for the year in which the transfer is made and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to \$5,000.

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

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

69. (1) Section 462.0.1 of the said Act, amended by section 236 of chapter 49 of the statutes of 1995, by section 129 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in paragraph *b*, the words “an election is made under section 518” by the words “section 518 applies”.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

70. (1) Section 462.15 of the said Act is amended by replacing paragraph *c* by the following paragraph :

“(c) where the property was transferred to or for the benefit of the transferor’s spouse, the third paragraph of section 454 applies to the transfer.”

(2) Subsection 1 applies in respect of transfers of property made after 25 March 1997.

71. (1) Section 485.51 of the said Act, enacted by section 142 of chapter 39 of the statutes of 1996 and amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph :

“The provisions of Book IX apply, with the necessary modifications, to the assessment made under the first paragraph as if the assessment had been made under Title II of that Book.”

(2) Subsection 1 applies from 1 January 1998.

72. Section 487.5.3 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced, in the French text, by the following section :

“487.5.3. Pour l’application des articles 487.1 à 487.6, l’expression « prêt consenti pour l’acquisition d’une résidence » signifie la partie d’une dette contractée par un particulier dans les circonstances décrites aux articles 487.1 et 487.2 qui est utilisée soit pour acquérir une habitation ou une part du capital social d’une coopérative d’habitation acquise dans le seul but d’acquérir le droit d’habiter une habitation dont la coopérative est propriétaire, lorsque l’habitation sert à loger l’une des personnes visées à l’article 487.5.4, soit pour rembourser une dette contractée pour acquérir une telle habitation ou une telle part, soit pour rembourser un prêt consenti pour l’acquisition d’une résidence.”

73. (1) Section 518 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997 and replaced by section 54 of chapter 31 of the statutes of 1997, is again replaced by the following section :

“518. The rules provided for in this division and in Divisions II and III apply where a taxpayer disposes of property owned by the taxpayer which is eligible property to a taxable Canadian corporation for consideration that includes a share of the capital stock of the corporation, if the taxpayer and the corporation make a valid election for the purposes of subsection 1 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition.”

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

74. (1) Sections 518.2 to 520 of the said Act are repealed.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

75. (1) The said Act is amended by inserting, after section 520, the following sections:

“520.1. Where section 518 applies in respect of the disposition of property, the prescribed form along with a copy of every document sent to the Minister of National Revenue in respect of the disposition, in connection with the election referred to in that section, shall be sent to the Minister.

The prescribed form shall also be sent to the Minister where an application is made to the Minister under the third paragraph of section 522 in respect of the disposition.

In addition, the taxpayer is liable, jointly with the corporation, to a penalty equal

(a) where a document referred to in the first paragraph is sent to the Minister after the date, referred to as the “particular date” in subparagraph i, that is the later of the earliest of the filing-due dates for the persons having made the election referred to in section 518 in respect of the disposition for the taxation year in which the disposition was made and the date of the last day of the two-month period following the end of the taxation year which, of the taxation years of those persons, ends the latest, to the lesser of

i. 0.25% of the amount by which the fair market value of the property at the time of the disposition exceeds the proceeds of disposition of the property, for each month or part of a month during the period beginning on the particular date and ending on the day on which the documents have all been sent to the Minister, and

ii. the product obtained by multiplying \$100 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph i, or

(b) where an application made to the Minister in respect of a disposition under the third paragraph of section 522 is granted by the Minister, to the lesser of the amounts that would be determined in respect of the disposition under subparagraphs i and ii of subparagraph *a* if the reference in subparagraph i to “the documents have all been sent to the Minister” were a reference to “the prescribed form referred to in the second paragraph is sent to the Minister”; in such case, this subparagraph is deemed not to apply in respect of any other such application made previously in respect of the disposition.

However, the total amount of the penalties to which the taxpayer is liable, jointly with the corporation, under the third paragraph in respect of the disposition may not exceed the greater of the penalties to which the taxpayer would otherwise be liable, jointly with the corporation, in respect of the disposition under subparagraph *a* or subparagraph *b* of the third paragraph nor \$5,000.

“520.2. Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to give effect to the rules provided for in this division and in Divisions II and III in respect of the disposition of property.”

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

76. (1) The said Act is amended by inserting, before section 522, the following section:

“521.2. Subject to section 522, where the taxpayer and the corporation make the election referred to in section 518 in respect of the disposition of property, the taxpayer’s proceeds of disposition of the property and the cost to the corporation of the property are deemed to be equal to such amount as is established in respect of the property under subsection 1 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), except that, for the purposes of paragraphs *b* and *c* of section 528, the proceeds of disposition of the property are deemed to be equal to that amount established without reference to paragraph *e.2* of subsection 1 of that section 85.”

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

77. (1) Section 522 of the said Act, amended by section 273 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

“522. Notwithstanding section 521.2 and subject to the fourth paragraph, where the taxpayer and the corporation make the election referred to in section 518 in respect of the disposition of property, where the conditions described in the second paragraph are met and where, in the prescribed form provided for in the first paragraph of section 520.1 or, if the application made

to the Minister under the third paragraph in respect of the disposition is granted by the Minister, in the second paragraph of section 520.1, the taxpayer and the corporation jointly agree on an amount in respect of the property, the amount so agreed on is deemed to be

(a) the taxpayer's proceeds of disposition of the property and the cost of the property to the corporation;

(b) subject to subparagraph c, equal to the fair market value, at the time of the disposition, of the consideration received by the taxpayer for the property if the amount agreed on is actually less than that fair market value and if the consideration is not a share of the capital stock of the corporation or a right to receive any such share; and

(c) equal to the fair market value of the property, at the time of the disposition, if the amount agreed on is actually greater than that fair market value.

The conditions referred to in the first paragraph require that, for the transferor and for the transferee,

(a) in the case of an individual, the individual must be resident in Québec at the end of the individual's taxation year in which the disposition is made and, if the second paragraph of section 22 applies to the individual for that year, the proportion applicable in respect of the individual in that second paragraph for that year must be not less than 9/10;

(b) in the case of a corporation, the proportion that the business carried on by the corporation in Québec is of the aggregate of the business carried on in Canada or Québec and elsewhere established by the regulations made under section 771 for its taxation year in which the disposition is made, must be not less than 9/10; and

(c) in the case of a partnership, the proportion that the business carried on in Québec is of the aggregate of the business carried on in Canada or Québec and elsewhere that would be established in its respect by the regulations made under section 771 for its taxation year in which the disposition is made if the partnership were a corporation and if its fiscal period were a taxation year, must be not less than 9/10.

In addition, the Minister may, on a joint application by the taxpayer and by the corporation, allow, for the purposes of the first paragraph in respect of the disposition, the taxpayer and the corporation

(a) where they have not done so in the prescribed form referred to in the first paragraph of section 520.1, to agree on an amount in respect of the property;

(b) to be deemed never to have agreed on an amount in respect of the property; or

(c) to agree on a new amount in respect of the property, which amount is deemed to be the only amount agreed on in respect of the property for the purposes of the first paragraph.

However, this section does not apply in respect of the disposition, where the amount that would, but for this section, be determined in respect of the property under section 521.2 exceeds the amount agreed on in its respect in the first paragraph, unless all or substantially all of the difference is justified by an amount by which the cost amount of the property to the taxpayer, immediately before the disposition, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) exceeds the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.”

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

78. (1) Section 523 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section :

“523. Where, in accordance with section 522, the taxpayer and the corporation have jointly agreed in the prescribed form on an amount in respect of property described in section 524, the amount is deemed, notwithstanding subparagraphs *b* and *c* of the first paragraph of section 522, but subject to the second paragraph, to be equal to the least of the amounts described in paragraph *a*, *b* or *c*, as the case may be, of section 524.

However, the amount shall in no case be less than the amount that is deemed to be the amount agreed on under subparagraph *b* of the first paragraph of section 522, subject to subparagraph *c* of that paragraph.”

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

79. (1) Section 524 of the said Act, amended by section 146 of chapter 39 of the statutes of 1996, is again amended by replacing, in the portion of paragraph *c* before subparagraph *i*, the words “in the election” by the words “in accordance with section 522 in the prescribed form”.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

80. (1) Section 524.0.1 of the said Act, amended by section 147 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the portion before the formula in the first paragraph by the following :

“524.0.1. Where intangible capital property in respect of a business of a taxpayer was disposed of by the taxpayer to a corporation and the election referred to in section 518 was made in respect of the property, for the purpose of determining, after the time of the disposition, the amount to be included under paragraph *b* of section 105 in computing the income of the corporation, the corporation shall add to the amount otherwise determined under subparagraph 2 of subparagraph *i* of paragraph *b* of section 107, the amount determined by the formula”.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

81. (1) Section 524.1 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended

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

“524.1. Where the taxpayer referred to in section 518 carries on a farming business the income of which is computed in accordance with the cash method and the property disposed of as referred to in that section 518 was inventory owned by the taxpayer in connection with that business immediately before the time the property was disposed of to the corporation referred to in that section 518,

(*a*) subject to subparagraphs *b* and *c* of the first paragraph of section 522 and notwithstanding paragraph *c* of section 524, the amount agreed on, if any, in accordance with section 522 in the prescribed form, in respect of inventory purchased by the taxpayer is deemed to be equal to the amount determined by the formula”;

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

“(a.1) the amount referred to in section 521.2 in respect of inventory purchased by the taxpayer is deemed, where it would otherwise be less than the particular amount that would be determined in respect of the property by the formula in subparagraph *a* if no account were taken of the letter D, to be equal to that particular amount;”;

(3) by replacing, in the French text of subparagraph *b* of the first paragraph and in the portion of subparagraph *c* of the first paragraph before subparagraph *i*, the words “aux fins” by the words “pour l’application”;

(4) by replacing, in the French text of the portion of the second paragraph before subparagraph *a*, the words “Aux fins de la formule visée” by the words “Dans la formule prévue”.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of dispositions made after 25 March 1997.

82. (1) Section 525 of the said Act is replaced by the following section :

“525. Where two or more properties, each of which is a property described in paragraph *a* or *b* of section 524, are disposed of at the same time, sections 523 and 524 apply as if each property so disposed of had been separately disposed of in the order designated by the taxpayer in the prescribed form or, if the taxpayer does not so designate any such order, in the order designated by the Minister.”

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

83. (1) Sections 525.1 and 526 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, are replaced by the following sections :

“525.1. Where property of a taxpayer in respect of the disposition of which section 518 applies is depreciable property of a prescribed class that is a passenger vehicle the cost to the taxpayer of which exceeds \$20,000 or such other amount as may be prescribed for the purposes of paragraph *d.3* of section 99, as the case may be, and the taxpayer and the corporation to which the property is disposed of do not deal with each other at arm’s length, the amount referred to in section 521.2 in respect of the property or, where section 522 applies thereto, the amount agreed on in respect of the property in the prescribed form, is deemed to be equal to the undepreciated capital cost to the taxpayer of the class immediately before the disposition, minus, where applicable, the amount deducted by the taxpayer under paragraph *a* of section 130 in respect of the passenger vehicle in computing the taxpayer’s income for the taxation year in which the passenger vehicle was disposed of by the taxpayer.

However, for the purposes of section 41.0.1, the cost to the corporation of the passenger vehicle is deemed to be an amount equal to its fair market value immediately before the disposition.

“526. Where section 522 applies in respect of the disposition of property by a taxpayer, where the fair market value of the property, immediately before the time of the disposition, exceeds the greater of the fair market value, immediately after that time, of the consideration received by the taxpayer and the amount otherwise agreed on in the prescribed form in respect of the property, and where it is reasonable to regard any part of the excess as a benefit that the taxpayer desired to have conferred on a person related to the taxpayer, other than a corporation that is a wholly-owned corporation of the taxpayer immediately after the disposition, the amount agreed on in the prescribed form in respect of the property is deemed, except for the purposes of paragraphs *b* and *c* of section 528, to be an amount equal to the amount otherwise agreed on in the prescribed form in respect of the property to which that part of the excess is added.”

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

84. (1) Section 529 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section :

“529. Where a partnership disposes of any property to a taxable Canadian corporation for consideration that includes a share of the capital stock of the corporation, and all the members of the partnership and the corporation make a valid election for the purposes of subsection 2 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition, the provisions of Divisions I to III apply, with the necessary modifications, in respect of the disposition as if the partnership were a taxpayer resident in Canada that had disposed of the property to the corporation.

In addition, for the purposes of the third paragraph of section 520.1 in respect of the disposition, subparagraph *a* of that paragraph shall be read as if the reference, in the portion before subparagraph *i*, to “the taxation year which, of the taxation years of those persons, ends the latest” were a reference to “that taxation year of the corporation or the fiscal period of the partnership in which the disposition was made, whichever year or period in the latter case ends later”.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

85. The said Act is amended by inserting, after section 529, the following :

“DIVISION IV.1

“CERTAIN TRANSFERS MADE BEFORE 26 MARCH 1997

“529.1. Except for the purposes of this section, where property is disposed of to a corporation before 26 March 1997 by a taxpayer or a partnership, in subparagraph *b* referred to as the “transferor”, Divisions I to III, or I to IV, as the case may be, as they read in respect of property disposed of on 26 March 1997 and not as they read in respect of the disposition, apply in respect of the disposition where

(*a*) the disposition is made after 18 December 1996, or is part of a series of transactions or events that began before 19 December 1996 and ended after 18 December 1996; and

(*b*) it may reasonably be considered that all or substantially all of an excess amount is attributable to the difference between the cost amount of the property to the transferor, immediately before the disposition, for the purposes of this Part and the cost amount of the property to the transferor, at that time, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), where that excess amount is

i. the amount by which the transferor's income for the taxation year in which the disposition is made is reduced by reason of the application of Divisions I to III, or I to IV, as the case may be, in respect of the disposition, exceeds the amount, if any, by which the transferor's income for that year, established for the purposes of Part I of the Income Tax Act, is reduced by reason of the application of section 85 of that Act in respect of the disposition, or

ii. the amount by which the cost amount of the property to the corporation, immediately after the disposition, for the purposes of this Part, exceeds the cost amount of the property to the corporation established at that time for the purposes of Part I of the Income Tax Act.

However, the first paragraph does not apply where the disposition is of property in respect of which section 522, as it reads in respect of property disposed of on 26 March 1997, would apply if

(a) the disposition had been made on 26 March 1997;

(b) where the election referred to in section 518 or in the first paragraph of section 529, as the case may be, as that section 518 or that paragraph reads in respect of property disposed of on 26 March 1997, was not made in respect of the disposition, the election had been made for an amount agreed on equal to the fair market value of the property at the time of the disposition; and

(c) an amount had been agreed on in respect of the property in the prescribed form for the purposes of that section 522, and was equal to the amount agreed on in its respect in the election made under section 518 or the first paragraph of section 529, as the case may be, as that section 518 or that paragraph reads in respect of the disposition, or to the fair market value of the property at the time of the disposition if no election were made.

“DIVISION IV.2

“WINDING-UP OF THE BUSINESS OF THE CORPORATION WITHIN 60 DAYS”.

86. (1) Section 555 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph:

“Notwithstanding the foregoing, the first paragraph does not apply where the taxpayer makes a valid election under subsection 8 of section 87 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have the rules provided for in that section not apply in respect of the exchange.”

(2) Subsection 1 applies in respect of exchanges made after 25 March 1997.

87. (1) Section 603 of the said Act, amended by section 47 of chapter 1 of the statutes of 1995, replaced by section 165 of chapter 39 of the statutes of 1996 and amended by section 71 of chapter 3 of the statutes of 1997 and by section 57 of chapter 31 of the statutes of 1997, is again amended by replacing the portion before paragraph *a* by the following :

“603. Where a taxpayer who was a member of a partnership during a fiscal period has, for the purpose of computing the taxpayer’s income from the partnership for the fiscal period, made or executed an agreement, a designation or an election under the regulations made under section 104, under any of sections 7.0.3, 7.0.5, 96, 110.1, 156, 180 to 182, 184, 199, 215, 216, 230, 279, 280.3, 299, 485.6, 485.9, 485.10, 485.11 and 485.42 to 485.52 or, because of subparagraph *a* of the second paragraph of section 614, under the first paragraph of section 522, that, but for this section, would be a valid agreement, designation or election, as the case may be, the following rules apply :”.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

88. (1) Sections 604 and 605 of the said Act are repealed.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

89. (1) Section 614 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the portion of the second paragraph before subparagraph *b* by the following :

“Notwithstanding any other provision of this Part, other than sections 527.1 and 527.2, where a taxpayer disposes of capital property, a Canadian resource property, a foreign resource property, intangible capital property or property included in an inventory to a partnership that, immediately after the disposition, is a Canadian partnership of which the taxpayer is a member, and the taxpayer and all the other members of the partnership make a valid election for the purposes of subsection 2 of section 97 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition, the following rules apply :

(a) sections 520.1, 520.2 and 521.2 to 526 and paragraph *a* of section 528 apply in respect of the disposition as if the references therein to section 518 were references to this paragraph, and replacing therein

i. except in section 525.1, the words “and the corporation” and “and by the corporation” respectively by the words “and all the other members of the partnership” and “and by all the other members of the partnership”,

ii. the words “a share of the capital stock of the corporation” and “a right to receive any such share” respectively by the words “an interest in the partnership” and “a right to receive any such interest”,

iii. the words “shareholder of the corporation” by the words “member of the partnership”,

iv. except in the second paragraph of section 522 and in section 526, any other occurrence of the word “corporation” by the word “partnership”, and

v. in the portion of subparagraph *a* of the third paragraph of section 520.1 before subparagraph *i*, the words “the taxation year which, of the taxation years of those persons, ends the latest” by the words “that taxation year of the taxpayer or the fiscal period of the partnership in which the disposition was made, whichever year or period in the latter case ends later”;

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

90. The said Act is amended by inserting, after section 614, the following section:

“614.1. Except for the purposes of this section, where a property is disposed of to a partnership before 26 March 1997 by a taxpayer, the second paragraph of section 614 and Divisions I to III of Chapter IV of Title IX, as they read in respect of property disposed of on 26 March 1997 and not as they read in respect of the disposition, apply in respect of the disposition where

(a) the disposition is made after 18 December 1996, or is part of a series of transactions or events that began before 19 December 1996 and ended after 18 December 1996; and

(b) it may not reasonably be considered that all or substantially all of an excess amount is attributable to the difference between the cost amount of the property to the taxpayer, immediately before the disposition, for the purposes of this Part and the cost amount of the property to the taxpayer, at that time, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), where that excess amount is

i. the amount by which the taxpayer’s income for the taxation year in which the disposition is made is reduced by reason of the application of the second paragraph of section 614 in respect of the disposition, exceeds the amount, if any, by which the taxpayer’s income for that year, established for the purposes of Part I of the Income Tax Act, is reduced by reason of the application of subsection 2 of section 97 of that Act in respect of the disposition, or

ii. the amount by which the cost amount of the property to the partnership, immediately after the disposition, for the purposes of this Part, exceeds the cost amount of the property to the partnership established at that time for the purposes of Part I of the Income Tax Act.

However, the first paragraph does not apply where the disposition is of property in respect of which section 522, as it reads in respect of property disposed of on 26 March 1997, would apply if

(a) the disposition had been made on 26 March 1997;

(b) where the election referred to in the second paragraph of section 614, as that paragraph reads in respect of property disposed of on 26 March 1997, was not made in respect of the disposition, the election had been made for an amount agreed on equal to the fair market value of the property at the time of the disposition; and

(c) an amount had been agreed on in respect of the property in the prescribed form for the purposes of that section 522, and was equal to the amount agreed on in its respect in the election made under the second paragraph of section 614, as that paragraph reads in respect of the disposition, or to the fair market value of the property at the time of the disposition if no election were made.”

91. (1) Section 620 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph:

“However, the rules referred to in the first paragraph apply only if each of those persons has in each such property, immediately after that time, an undivided interest equal, when expressed as a percentage, to the person’s undivided interest, when so expressed, in each other property of the partnership, if all those persons make a valid election for the purposes of subsection 3 of section 98 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the property and if sections 530 to 533 and 626 to 631 do not apply.”

(2) Subsection 1 applies in respect of dissolutions of partnerships occurring after 25 March 1997.

92. (1) The said Act is amended by inserting, after section 620, the following section:

“620.1. Where the rules provided for in this division apply in respect of the dissolution of a partnership, the prescribed form must be sent to the Minister.

In addition, where the form is sent to the Minister after the date that is the earliest of the filing-due dates for the persons referred to in section 620 in respect of the dissolution, for the taxation year in which the dissolution occurred, those persons are liable to a penalty equal to the lesser of

(a) 0.25%, for each month or part of a month during the period from the earliest date of those filing-due dates until the day on which the form is sent to the Minister, of the amount by which the aggregate of the amounts of money

and the fair market value of partnership property received by those persons as consideration for the disposition of their interests in the partnership at the time the partnership is dissolved, exceeds the aggregate of the proceeds of disposition determined in respect of each of those persons under section 621 ; and

(b) the lesser of \$5,000 and the product obtained by multiplying \$100 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph a.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to give effect to the rules provided for in this division in respect of the dissolution of partnerships.”

(2) Subsection 1 applies in respect of dissolutions of partnerships occurring after 25 March 1997.

93. (1) Section 669.1 of the said Act is amended by replacing, wherever they appear, the words “subparagraph a of the first paragraph” by the words “subparagraph i of paragraph a”.

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

94. (1) Section 693 of the said Act, amended by section 48 of chapter 1 of the statutes of 1995, by section 49 of chapter 63 of the statutes of 1995 and by section 96 of chapter 14 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph :

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

(2) Subsection 1 applies from the taxation year 1997. However, where the second paragraph of section 693 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference therein to “694.0.2” were a reference to “737.8”.

95. (1) The said Act is amended by inserting, after section 694, the following :

“TITLE I.0.1

**“DEDUCTED AMOUNTS TO BE INCLUDED
IN COMPUTING INCOME**

“694.0.1. An individual computing taxable income for a taxation year shall include the portion relating to one or more preceding taxation years of

the aggregate of all amounts deducted by the individual in computing income for the year under any of paragraphs *a* to *b.0.1* of subsection 1 of section 336, where the total of that portion is at least \$300.

“694.0.2. A taxpayer computing taxable income for a taxation year shall include any amount deducted by the taxpayer in computing income for the year under paragraph *d* or *d.2* of subsection 1 of section 336 as reimbursement of a social assistance payment, to the extent that the social assistance payment has been deducted in computing the taxpayer’s taxable income for the year or a preceding taxation year under paragraph *c* of section 725.”

(2) Subsection 1, where it enacts section 694.0.1 of the said Act, applies from the taxation year 1997.

(3) Subsection 1, where it enacts section 694.0.2 of the said Act, applies from the taxation year 1998.

96. (1) Sections 710.1 and 710.2 of the said Act are replaced by the following sections :

“710.1. For the purposes of paragraph *b* of section 710, the fair market value of a property referred to therein that is a prescribed cultural property is deemed to be the fair market value determined by the Canadian Cultural Property Export Review Board or, where an appeal has been instituted under subsection 1 of section 33.1 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51), the fair market value deemed to have been determined by the Board, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 2 of the said section 33.1.

“710.2. For the purposes of paragraph *b.1* of section 710, the fair market value of a cultural property referred to therein is deemed to be the fair market value determined by the Commission des biens culturels du Québec.”

(2) Subsection 1, where it replaces section 710.1 of the said Act, has effect from 12 July 1996.

97. (1) The said Act is amended by inserting, after section 710.2, the following section :

“710.3. Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect

(*a*) to a certificate issued under section 7.14 of the Cultural Property Act (chapter B-4) or to a decision of a court resulting from an appeal under section 7.16 of that Act ; or

(b) to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act.”

(2) Subsection 1 has effect from 12 July 1996. However, where section 710.3 of the said Act, enacted by subsection 1, applies before (*insert the date of assent to this Act*), it shall be read as follows :

“710.3. Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act.”

98. (1) Section 725 of the said Act, amended by section 158 of chapter 49 of the statutes of 1995 and by section 98 of chapter 14 of the statutes of 1997, is again amended

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

“(b.1) a pension, indemnity or compensation described in any of paragraphs *k.2* to *k.4* of section 311 or an indemnity described in paragraph *k.5* of that section;”;

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

“(c) a social assistance payment based on a means, needs or income test, other than a payment received under the Act respecting income security (chapter S-3.1.1) or a similar payment made under an Act of a province, and included in computing the individual’s income by reason of section 311.1 or by reason of section 317 as a supplement or spouse’s allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or any similar payment made under an Act of a province ; or”;

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

“(e) income situated on a reserve or on premises, if the individual is an Indian or a person of Indian ancestry.”

(2) Paragraphs 1 and 3 of subsection 1 apply from the taxation year 1997.

(3) Paragraph 2 of subsection 1 applies in respect of social assistance payments received after 31 December 1997.

99. (1) The said Act is amended by inserting, after section 725, the following sections :

“725.0.1. For the purposes of this section, paragraph *e* of section 725 and section 725.0.2,

“Indian” means an Indian within the meaning of the Indian Act (Revised Statutes of Canada, 1985, chapter I-5);

“person of Indian ancestry” means an individual who usually resides on a reserve or who is employed therein, and whose mother or father is an Indian;

“premises” means a place in Québec used exclusively for purposes of negotiation between the Government and an agency representing Indians of Québec and so designated by the Government;

“reserve” means

(a) a reserve within the meaning of subsection 1 of section 2 of the Indian Act;

(b) Category IA land or Category IA-N land within the meaning of subsection 1 of section 2 of the Cree-Naskapi (of Québec) Act (Statutes of Canada, 1984, chapter 18);

(c) the Hunter’s Point, Kitchisakik (Grand-Lac-Victoria), Pakuashipi and Winneway Indian settlements and an Indian settlement within the meaning of section 2 of the Indians and Bands on certain Indian Settlements Remission Order, as made by Order in Council P.C. 1992-1052 dated 14 May 1992, as amended by Order in Council P.C. 1994-2096 dated 14 December 1994, under the Financial Administration Act (Revised Statutes of Canada, 1985, chapter F-11); and

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

“725.0.2. For the purposes of paragraph *e* of section 725, the income of an Indian or a person of Indian ancestry from an office or employment that that Indian or person of Indian ancestry performs for an employer who both resides on a reserve and is described in the second paragraph is deemed to be an income situated on a reserve if the duties of that Indian or person of Indian ancestry related to that office or employment form part of the non-commercial activities of the employer that are intended solely for the greater welfare of the Indians living on the reserve.

The employer to which the first paragraph refers is

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

(b) a council of the band, within the meaning of subsection 1 of section 2 of the Indian Act, representing one or more bands described in subparagraph *a*;
or

(c) an Indian organization that falls within the jurisdiction of one or more bands described in subparagraph *a* or of one or more councils of the band described in subparagraph *b* and that is exclusively devoted to the social, cultural, educational or economical development of Indians the majority of whom live on a reserve.

Where the income of an Indian or a person of Indian ancestry from an office or employment is deemed, under the first paragraph, to be income situated on a reserve, any other amount received by that Indian or person of Indian ancestry and related to that office or employment is also, for the purposes of paragraph *e* of section 725, deemed to be situated on a reserve.”

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

100. (1) The said Act is amended by inserting, after section 725.1.1, the following:

“TITLE V.0.2

“DEDUCTION IN RESPECT OF A RETROACTIVE PAYMENT

“725.1.2. An individual, other than a trust, computing taxable income for a taxation year may deduct, where the individual so elects, the portion relating to one or more preceding taxation years of the aggregate of the amounts each of which is an amount described in the second paragraph that the individual includes in computing taxable income for the year, where the total of that portion is at least \$300.

The amount to which the first paragraph refers is an amount received in the year as, or in lieu of, full or partial payment of

(a) income from an office or employment, under the terms of a court judgment, arbitration award or a contract by which the parties put an end to a lawsuit;

(b) a benefit under the Labour Adjustment Benefits Act (Revised Statutes of Canada, 1985, chapter L-1), under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) or under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act;

(c) an amount referred to in any of paragraphs *a* to *b.2* of section 312;

(d) an amount paid in accordance with a distribution plan, approved on 4 December 1995 by a judgment of the Superior Court of Québec, in respect of the pension fund surplus of the Consolidated Retirement Plan for Employees of Singer Company of Canada Limited (Sewing Division), if the amount is paid to the individual as a member, within the meaning of section 965.0.1, of the pension fund or by reason of the death of the individual’s spouse who was a member of the pension fund; or

(e) any other amount, other than income from an office or employment, that would be, in the opinion of the Minister, an additional undue tax burden on the individual were the individual to include it in computing income for the year in which it is received by the individual.

For the purposes of the first paragraph in respect of an amount described in subparagraph *d* of the second paragraph that an individual receives in a particular taxation year, the proportion of the amount that the number of preceding taxation years that are subsequent to the taxation year 1985 is of that number of taxation years, plus one, is deemed to relate to one or more taxation years preceding the particular year.”

(2) Subsection 1 applies from the taxation year 1997. However, where subparagraph *a* of the second paragraph of section 725.1.2 of the said Act, enacted by subsection 1, applies in respect of an amount agreed on before 1 January 1996, it shall be read as follows :

“(a) income from an office or employment, under the terms of a court judgment, arbitration award or a contract by which the parties prevent a future contestation, put an end to a lawsuit or settle difficulties arising in the execution of a judgment, by way of mutual concessions or reservations;”.

101. (1) Section 726.20.1 of the said Act, amended by section 62 of chapter 1 of the statutes of 1995, by section 191 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 290 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in paragraph *a* of the definition of “resource property”, “31 December 1998” by “31 December 2000”;

(2) by replacing, in subparagraph *i* of paragraph *c* of the definition of “resource property”, the words “an election was made under section 518, 614 or 620” by the words “an election referred to in section 518, 614 or 620 was made”.

(2) Paragraph 2 of subsection 1 applies in respect of transactions occurring after 25 March 1997.

102. Section 726.22 of the said Act is amended, in the English text, by replacing subparagraph *a* of the first paragraph by the following subparagraph :

“(a) the aggregate of all amounts each of which is the product obtained by applying the specified percentage for the year for the particular area in which the taxpayer resided to the amount received, or to the value of a benefit received or enjoyed, in the year by the taxpayer in respect of the taxpayer’s employment in the particular area by a person with whom the taxpayer was dealing at arm’s length in respect of travel expenses incurred by the taxpayer or another individual who was a member of the taxpayer’s household during the part of the year in which the taxpayer resided in the particular area, to the extent that

i. the amount received or the value of the benefit, as the case may be, does not exceed a prescribed amount in respect of the taxpayer for the period of the year in which the taxpayer resided in the particular area, is included and is not otherwise deducted in computing the taxpayer's income for the year or any other taxation year, and is not included in determining an amount deducted under section 752.0.11 for the year or any other taxation year,

ii. the travel expenses were incurred in respect of trips made in the year by the taxpayer or another individual who was a member of the taxpayer's household during the part of the year in which the taxpayer resided in the particular area, and

iii. neither the taxpayer nor a member of the taxpayer's household is at any time entitled to a reimbursement or any form of assistance, other than a reimbursement or assistance included in computing the income of the taxpayer or the member, in respect of travel expenses to which subparagraph ii applies;”.

103. Section 726.22.1 of the said Act is replaced, in the English text, by the following section :

“726.22.1. The aggregate of the amounts determined under subparagraph *a* of the first paragraph of section 726.22 for a taxpayer in respect of travel expenses incurred in a taxation year in respect of an individual shall not be in respect of more than two trips made by the individual in the year, other than trips to obtain medical services that are not available in the locality in which the taxpayer resided.”

104. (1) Section 728.0.1 of the said Act is amended by inserting, in paragraph *a* and after “725.1.1,”, “725.1.2,”.

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

105. (1) Section 737.18 of the said Act is amended

(1) by replacing, in paragraph *e*, “paragraph *a, b* or *c*” by “any of paragraphs *a* to *e*”;

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

“(e.1) for the purposes of the deduction under section 725.1.2, the amount included by the individual in computing the individual's income for the year, which is an amount described in the second paragraph of section 725.1.2, shall not include the part of the amount included in the part referred to in the first paragraph of section 737.16 of the individual's income for the year;”.

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

106. (1) Section 737.22 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended

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

“(c) where the foreign researcher has included in computing income for the year an amount described in paragraph *a* or *e* of section 725 and that amount is included in the foreign researcher’s eligible income for the year, the amount is, for the purposes of a deduction under paragraph *a* or *e* of section 725, deemed to be nil;”;

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

“(c.1) where the foreign researcher has included in computing income for the year an amount described in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the foreign researcher’s eligible income for the year, the amount is, for the purposes of a deduction under section 725.1.2, deemed to be nil;”.

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

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

“TITLE VII.3.1

“DEDUCTION IN RESPECT OF A FOREIGN INSTRUCTOR

“CHAPTER I

“DEFINITIONS

“737.22.0.1. In this Title,

“eligible employer” for a taxation year means a corporation that would be an exempt corporation within the meaning of sections 771.12 and 771.13 for that year if section 771.12 were read without reference to paragraphs *d* and *e* ;

“eligible income” of a foreign instructor for a taxation year means the aggregate of all such amounts paid to the instructor as wages in the year by the instructor’s eligible employer and that may reasonably be considered to be attributable to the instructor’s instruction activity period ;

“foreign instructor” means an individual who, at a particular time after 25 March 1997, assumes duties as an employee of an eligible employer pursuant to an employment contract entered into after 25 March 1997 with the eligible employer, with respect to whom the eligible employer obtained, not later than 30 days after the later of the date the employment contract was entered into and the date the instructor assumed the duties of instructor, a certificate issued by the Minister of Finance, that has not been revoked, and who

(a) is not resident in Canada immediately before entering into the employment contract or immediately before assuming duties as an employee of the eligible employer,

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

(c) performs duties as an employee of the eligible employer that consist almost exclusively in providing instruction ;

“instruction activity period” of a foreign instructor means the period beginning on the day when, for the first time after 25 March 1997, the foreign instructor assumes duties as an employee of an eligible employer and ending on the earlier of

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

(b) the seven hundred and thirty-first day following the day the instructor assumed duties ;

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

“737.22.0.2. For the purposes of this Title, any employment contract referred to in the definition of “foreign instructor” in section 737.22.0.1 that is renewed is deemed not to be a separate employment contract.

The same rule applies where a new employment contract is entered into with another eligible employer if the other eligible employer is one of the following persons, in which case that other eligible employer is deemed not to be other than the eligible employer who entered into the employment contract referred to in the definition of “foreign instructor” in section 737.22.0.1 :

(a) a subsidiary controlled corporation of the eligible employer ;

(b) a corporation that, following an operation referred to in section 518 or 566, continues to carry on the business of the eligible employer in respect of which the foreign instructor who entered into the employment contract was carrying on instruction activities ;

(c) a corporation controlling the eligible employer.

“CHAPTER II

“DEDUCTION

“737.22.0.3. A foreign instructor may deduct, in computing taxable income for a taxation year, any amount not greater than the amount, if any, by which the instructor’s eligible income for the year as attested in prescribed

manner by the instructor's eligible employer exceeds the aggregate of the amounts deductible by the instructor in computing income for the year under Chapter III of Title II of Book III and which may reasonably be considered to be attributable to the instructor's employment as a foreign instructor during the instruction activity period.

“CHAPTER III

“COMPUTATION OF TAXABLE INCOME

“737.22.0.4. For the purpose of computing the taxable income of a foreign researcher referred to in section 737.22.0.3 in a taxation year, the following rules apply :

(a) where the instructor has included in computing income for the year an amount representing the benefit the instructor is deemed to receive in the year under any of sections 49, 50, 51 and 52, in respect of the share or the transfer or other disposition of the rights under the agreement and the amount of the benefit is included in the instructor's eligible income for the year, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil ;

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

(c) where the instructor has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the instructor's eligible income for the year, the amount is, for the purpose of computing the deduction under that paragraph *a* or *e*, as the case may be, deemed to be nil ;

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

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

“(a) such part of the benefit that would be deemed to have been received by the individual under sections 487.1 to 487.6 in the year if those sections had applied only in respect of the home relocation loan as may reasonably be considered to be attributed to the part of the year that is not included in the individual's instruction activity period as defined in section 737.22.0.1 ;” ;

“(b) the amount of interest for that part of the year, not included in the individual’s instruction activity period as defined in section 737.22.0.1, that would be computed at the prescribed rate referred to in section 487.2 in respect of the home relocation loan of the individual if that loan were in the amount of \$25,000 and were extinguished on the earlier of”;

“(c) such part of the amount of the benefit the individual is deemed to have received in the year under sections 487.1 to 487.6 in respect of the loan as may reasonably be considered as having been received in the part of the year not included in the individual’s instruction activity period as defined in section 737.22.0.1.”;

(f) where the instructor has included in computing income for the year an amount received by the instructor under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the instructor’s eligible income for the year, the amount is, for the purpose of computing the deduction under section 725.9, deemed to be nil;

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

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

“(1) \$7.50 multiplied by the number of days in the year included in the qualifying period in which the taxpayer resided in the particular area, except any day included in the taxpayer’s instruction activity period as defined in section 737.22.0.1;”;

“(2) \$7.50 multiplied by the number of days in the year included in that portion of the qualifying period throughout which the taxpayer maintained and resided in a self-contained domestic establishment in the particular area, except any day included in the taxpayer’s instruction activity period as defined in section 737.22.0.1 or included in computing an amount deducted under this subparagraph *b* by another person who resided on that day in that establishment.”.

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

108. (1) Section 749.1 of the said Act, replaced by section 70 of chapter 1 of the statutes of 1995 and by section 56 of chapter 63 of the statutes of 1995, is again replaced by the following section:

“749.1. In this Book, except for the purposes of sections 752.1 to 752.5, other than subparagraph *b* of the first paragraph of section 752.2, and sections 772.2 to 772.13, tax, whether referred to as tax payable under this Part or tax otherwise payable under this Part or called by any other similar expression, shall be computed as if this Part were read without reference to Book V.1.”

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

109. (1) Section 750 of the said Act is replaced by the following section :

“750. The tax payable under this Part by an individual on the individual’s taxable income for a taxation year is, as the case may be,

(*a*) where the individual’s taxable income for that year does not exceed \$25,000, 20% of the individual’s taxable income ;

(*b*) where the individual’s taxable income for that year exceeds \$25,000 but does not exceed \$50,000, \$5,000 plus 23% of the amount by which the individual’s taxable income exceeds \$25,000 ; and

(*c*) where the individual’s taxable income for that year exceeds \$50,000, \$10,750 plus 26% of the amount by which the individual’s taxable income exceeds \$50,000.”

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

110. (1) Section 752.0.1 of the said Act, amended by section 71 of chapter 1 of the statutes of 1995, by section 109 of chapter 14 of the statutes of 1997 and by section 77 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, wherever it appears in the portion before paragraph *a*, “20%” by “23%” ;

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

“(a) \$5,900 for a person who, at any time in the year, is the individual’s spouse if, at that time, the individual supports that person and is not living separate and apart from that person because of a breakdown of their marriage ;” ;

(3) by striking out, in paragraph *d*, “subparagraph *i* or *iv* of paragraph *a* of” and by replacing “337 or in paragraph *b* or *c* of the said section” by “752.0.18.10” ;

(4) by striking out paragraphs *h* and *j*.

(2) Paragraphs 1 and 4 of subsection 1 apply from the taxation year 1998.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 1997.

111. (1) Section 752.0.2 of the said Act, amended by section 72 of chapter 1 of the statutes of 1995, is replaced by the following section :

“752.0.2. The aggregate of the amounts to which the individual is entitled under paragraphs *a* to *g* of section 752.0.1 in respect of one person for a taxation year must be reduced,

(*a*) where the person is the individual’s spouse, by the amount by which

i. the amount of the spouse’s income as determined in respect of the spouse for the year under this Part or, where the spouse was not resident in Canada throughout the year, the amount of income that would be determined in respect of the spouse, for the year, under this Part, but for Book V.2.1 and if the spouse had been resident in Québec and Canada throughout the year or, where the spouse died in the year, throughout the period of the year preceding the time of the spouse’s death, exceeds

ii. the aggregate of amounts deductible in computing the spouse’s taxable income for the year under any of paragraphs *b*, *b.1*, *c* and *e* of section 725 or, if the spouse is not resident in Québec on 31 December of the year or in Canada throughout that year, the aggregate of the amounts that would be deductible in computing the spouse’s taxable income for the year if the spouse had been resident in Québec on 31 December of the year and in Canada throughout that year, and

(*b*) in other cases, by the amount of that person’s income as determined in respect of that person for the year under this Part or, if the person was not resident in Canada throughout the year, the amount of income that would be determined in respect of that person, for the year, under this Part, but for Book V.2.1 and if that person had been resident in Québec and Canada throughout the year or, where that person died in the year, throughout the period of the year preceding the time of the person’s death.

However, where an individual is living separate and apart from the individual’s spouse at the end of a taxation year because of the breakdown of their marriage, the excess amount referred to in subparagraph *a* of the first paragraph shall be determined for the year on the basis of the period in which they were married and were not so living separate and apart.”

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

112. (1) Section 752.0.3 of the said Act is amended by replacing, in the second paragraph, “iv” by “ii” and “337” by “752.0.18.10”.

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

113. (1) The heading of Chapter I.0.2 of Title I of Book V of Part I of the said Act is replaced by the following heading :

“TAX CREDIT FOR PERSONS LIVING ALONE, WITH RESPECT TO AGE AND FOR RETIREMENT INCOME”.

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

114. (1) The said Act is amended by inserting, after the heading of Chapter I.0.2 of Title I of Book V of Part I, the following sections :

“752.0.7.1. In this chapter,

“eligible spouse” of an individual for a taxation year means the person who is the individual’s spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual ;

“family income” of an individual for a taxation year means the amount by which \$26,000 is exceeded by the aggregate of

(a) the income of the individual for the year; and

(b) the income, for the year, of the individual’s eligible spouse for the year.

“752.0.7.2. For the purposes of the definition of “eligible spouse” in section 752.0.7.1, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.

“752.0.7.3. For the purposes of the definition of “family income” in section 752.0.7.1, where an individual was resident in Canada for only part of a taxation year, the individual’s income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part but for Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.

“752.0.7.4. An individual may deduct from the individual’s tax otherwise payable for a taxation year under this Part an amount equal to 23% of the amount by which the aggregate of the following amounts exceeds 15% of the individual’s family income for the year :

(a) in respect of the individual,

i. \$1,050, if the following conditions are complied with:

(1) where the rules in Book V.2.1 do not apply to the individual for the year, the individual is not entitled to the deduction under paragraph *a* of section 752.0.1 and, where the rules in Book V.2.1 apply to the individual for the year, the individual would not be entitled to the deduction under paragraph *a* of section 752.0.1 but for that Book,

(2) the individual ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by the individual and in which no person other than the individual or a person described in paragraph *b* of section 752.0.1 lives during the year, and

(3) the individual files with the Minister, for the year, in respect of the self-contained domestic establishment, a prescribed document or, if the individual is unable to file such a document, the prescribed form, on or before the individual's filing-due date for the year;

ii. where the individual has attained the age of 65 years before the end of the year, \$2,200 plus the lesser of \$1,000 and the amount referred to in section 752.0.8 in respect of the individual for the year;

iii. where the individual has not attained the age of 65 years before the end of the year, the lesser of \$1,000 and the amount referred to in section 752.0.9 in respect of the individual for the year;

(*b*) in respect of the individual's eligible spouse for the year,

i. \$1,050, if the following conditions are complied with:

(1) where the rules in Book V.2.1 do not apply for the year to the eligible spouse, the eligible spouse is not entitled to the deduction under paragraph *a* of section 752.0.1 and, where the rules in Book V.2.1 apply for the year to the eligible spouse, the eligible spouse would not be entitled to the deduction under paragraph *a* of section 752.0.1 but for that Book,

(2) the eligible spouse ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by the eligible spouse and in which no person, other than the eligible spouse or a person described in paragraph *b* of section 752.0.1, lives during the year, and

(3) the individual files with the Minister, for the year, in respect of the self-contained domestic establishment, a prescribed document or, if the individual is unable to file such a document, the prescribed form, on or before the individual's filing-due date for the year, except where the document or the form is otherwise filed with the Minister for the year by the eligible spouse;

ii. where the eligible spouse has attained the age of 65 years before the end of the year, \$2,200 plus the lesser of \$1,000 and the amount referred to in section 752.0.8 in respect of the eligible spouse for the year;

iii. where the eligible spouse has not attained the age of 65 years before the end of the year, the lesser of \$1,000 and the amount referred to in section 752.0.9 in respect of the eligible spouse for the year.

“752.0.7.5. Where, for a taxation year, a particular individual to whom section 752.0.7.4 applies has an eligible spouse for the year who is also an individual to whom that section applies,

(a) the amount deductible by the particular individual for the year under that section 752.0.7.4, determined without reference to this section, shall be reduced by such portion of the amount as is designated in respect of the particular individual by the particular individual and the eligible spouse in prescribed form filed by the particular individual with the individual's fiscal return under this Part for the year;

(b) the amount deductible by the eligible spouse for the year under section 752.0.7.4, determined without reference to this section, shall be reduced by the amount determined for the year under paragraph *a* in respect of the particular individual;

(c) where the particular individual and the eligible spouse cannot agree on the portion of the amount that may be designated for the year in accordance with paragraph *a* in respect of the particular individual, the Minister may designate such portion and, for the purposes of paragraph *a*, the designation is deemed to have been made in prescribed form by the particular individual and the eligible spouse; and

(d) the amount determined for the year under paragraph *a* in respect of the particular individual and the amount determined for the year under paragraph *b* in respect of the eligible spouse are deemed to be the amount deductible by the particular individual for the year under that section 752.0.7.4 and the amount so deductible by the eligible spouse for the year, respectively.

“752.0.7.6. An individual who has an eligible spouse for a taxation year is entitled to the deduction under section 752.0.7.4 for the taxation year only if the individual files with the Minister, together with the individual's fiscal return under this Part for the year, a certificate from the spouse in prescribed form.”

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

115. (1) Section 752.0.8 of the said Act, amended by section 110 of chapter 14 of the statutes of 1997, is replaced by the following section:

“752.0.8. The amount to which subparagraph ii of paragraph *a* of section 752.0.7.4 refers for a taxation year in respect of an individual or, as the case may be, the amount to which subparagraph ii of paragraph *b* of that section refers for a taxation year in respect of an individual's eligible spouse for the year is equal to the aggregate of the following amounts:

(a) the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year that is

i. a payment in respect of a life annuity out of or under a pension plan,

ii. an annuity payment under a registered retirement savings plan or under a new plan as referred to in section 914 or under an annuity in respect of which an amount is included in computing the individual's or, as the case may be, the eligible spouse's income by reason of paragraph *c.2* of section 312,

iii. a payment out of or under a registered retirement income fund or under an amended fund as referred to in section 961.9,

iv. an annuity payment under a deferred profit sharing plan or under a plan the registration of which is revoked by virtue of subsection 14 or 14.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement),

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

vi. the amount by which an annuity payment included in computing the individual's or, as the case may be, the eligible spouse's income for the year by reason of paragraph *c* of section 312 exceeds the capital element of that payment as determined under paragraph *f* of subsection 1 of section 336; and

(*b*) the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year by reason of sections 92.11 to 92.19.”

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

116. (1) Section 752.0.9 of the said Act, amended by section 111 of chapter 14 of the statutes of 1997, is replaced by the following section :

“752.0.9. The amount to which subparagraph iii of paragraph *a* of section 752.0.7.4 refers for a taxation year in respect of an individual or, as the case may be, the amount referred to in subparagraph iii of paragraph *b* of that section for a taxation year in respect of an individual's eligible spouse for the year, is equal to the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year and described

(*a*) in subparagraph *i* of paragraph *a* of section 752.0.8; or

(*b*) where the amount is received as a consequence of the death of the individual's spouse, in any of subparagraphs ii to vi of paragraph *a*, or in paragraph *b*, of that section 752.0.8.”

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

117. (1) Section 752.0.10.4 of the said Act is replaced by the following section :

“752.0.10.4. For the purposes of the definition of “total cultural gifts” in section 752.0.10.1,

(a) the fair market value of a property referred to in paragraph *a* of the said definition that is a prescribed cultural property that was the object of a gift after 20 February 1990 is deemed to be the value determined by the Canadian Cultural Property Export Review Board or, where an appeal has been instituted under subsection 1 of section 33.1 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51), the fair market value deemed to have been determined by the Board, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 2 of the said section 33.1; and

(b) the fair market value of a cultural property referred to in paragraph *b* of the said definition is deemed to be the value determined by the Commission des biens culturels du Québec.”

(2) Subsection 1 has effect from 12 July 1996.

118. (1) The said Act is amended by inserting, after section 752.0.10.4, the following section:

“752.0.10.4.1. Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect

(a) to a certificate issued under section 7.14 of the Cultural Property Act (chapter B-4) or to a decision of a court resulting from an appeal under section 7.16 of that Act; or

(b) to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act.”

(2) Subsection 1 has effect from 12 July 1996. However, where section 752.0.10.4.1 of the said Act, enacted by subsection 1, applies before (*insert the date of assent to this Act*), it shall be read as follows:

“752.0.10.4.1. Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act.”

119. (1) Section 752.0.10.15 of the said Act, enacted by section 58 of chapter 63 of the statutes of 1995 and amended by section 79 of chapter 31 of the statutes of 1997, is again amended

(1) by striking out, in the third paragraph, the words “and Part I.1”;

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

“For the purposes of the third paragraph, where the taxation year referred to therein is before the taxation year 1998, that paragraph shall be read with the words “and Part I.1” inserted after the words “this Part”.

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

120. (1) Section 752.0.11 of the said Act, amended by section 113 of chapter 14 of the statutes of 1997, is again amended, in the second paragraph,

(1) by replacing, in subparagraph *a*, “20%” by “23%”;

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

“(c) C is 3% of the aggregate of the individual’s income for the year and of the income for the year of the person who is the individual’s spouse at the end of 31 December of that year and who, at that time, is not living separate and apart from the individual;”.

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

121. (1) The said Act is amended by inserting, after section 752.0.11, the following section :

“752.0.11.0.1. For the purposes of subparagraph *c* of the second paragraph of section 752.0.11, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes the particular time.”

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

122. (1) Section 752.0.11.1 of the said Act, amended by section 79 of chapter 1 of the statutes of 1995, by section 59 of chapter 63 of the statutes of 1995 and by section 114 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in the English text, paragraphs *h* and *i* by the following paragraphs :

“(h) to a person engaged in the business of providing transportation services, for the transportation of a particular person or a particular person and one person who accompanies the particular person, if, in the latter case, the particular person has been certified by a practitioner to be incapable of travelling without assistance from the locality where the particular person dwells to the place where medical or paramedical services are normally provided, if that place is not less than 40 kilometres from that locality, if equivalent or substantially equivalent services were not available in that locality, if the particular person travelled to that place to obtain such services for himself or herself and if, having regard to the circumstances, it was reasonable to travel to that place to obtain those services and the route travelled was the most reasonably direct route ;

“(i) for reasonable travel expenses, other than expenses described in paragraph *h*, incurred in respect of a particular person or a particular person and one person who accompanies the particular person, if, in the latter case, the particular person has been certified by a practitioner to be incapable of travelling without assistance, to obtain medical or paramedical services in a place that is not less than 80 kilometres from the locality where the particular person dwells, if equivalent or substantially equivalent services were not available in that locality, if the particular person travelled to that place to obtain such services for himself or herself and if, having regard to the circumstances, it was reasonable to travel to that place to obtain those services and the route travelled was the most reasonably direct route ;” ;

(2) by replacing, in the English text, paragraph *l* by the following paragraph :

“(l) for the full-time care in a nursing home of a person, if the person has been certified by a practitioner to be a person who, by reason of lack of normal mental capacity, is and in the foreseeable future will continue to be dependent on others for the person’s personal needs and care ;” ;

(3) by replacing paragraph *m* by the following paragraph :

“(m) as remuneration for one full-time attendant on a person referred to in section 752.0.11.1.1 for the taxation year in which the expense was incurred if, at the time the remuneration is paid, the attendant is neither the person’s spouse nor under 18 years of age, or for the full-time care in a nursing home of such a person ;” ;

(4) by replacing the portion of paragraph *m.1* before subparagraph *i* by the following :

“(m.1) as remuneration for an attendant for care provided in Canada to a person referred to in section 752.0.11.1.2 for the taxation year in which the expense was incurred, to the extent that the total of amounts so paid does not exceed \$5,000, or \$10,000 where the person died in the year, if” ;

(5) by replacing, in the English text, subparagraph *iii* of paragraph *m.1* by the following subparagraph :

“iii. each receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual’s Social Insurance Number;”;

(6) by replacing, in the English text, paragraph *n* by the following paragraph :

“(*n*) as remuneration for one full-time attendant on a person in a self-contained domestic establishment in which the person receiving the care lives, if that person is, and has been certified by a practitioner to be, a person who, by reason of mental or physical infirmity, is and is likely to be for a long-continued period of indefinite duration dependent on others for the person’s personal needs and care, if, at the time the remuneration is paid, the attendant is neither the person’s spouse nor under 18 years of age, and if the receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual’s Social Insurance Number;”;

(7) by replacing, in the English text, subparagraphs ii and iii of paragraph *o* by the following subparagraphs :

“ii. for the care and maintenance of such an animal, including food and veterinary care,

“iii. for reasonable travel expenses of the person incurred for the purpose of attending a school, institution or other facility that trains, in the handling of such animals, individuals who are so impaired, and”;

(8) by replacing, in the English text, paragraph *p* by the following paragraph :

“(*p*) as a premium or other consideration to a private health services plan in respect of the individual referred to in section 752.0.11, the individual’s spouse or any other person living with the individual and with whom the individual is connected by blood relationship, marriage or adoption, or in respect of several of those persons;”;

(9) by replacing, in the English text, subparagraph ii of paragraph *q* by the following subparagraph :

“ii. for reasonable travel, board and lodging expenses, other than expenses described in paragraphs *h* and *i*, of the person and one other person who accompanies the person, and of the donor and one other person who accompanies the donor, incurred in respect of the transplant;”.

(2) Paragraphs 3 and 4 of subsection 1 apply from the taxation year 1998.

123. (1) The said Act is amended by inserting, after section 752.0.11.1, the following sections :

“752.0.11.1.1. The person referred to in paragraph *m* of section 752.0.11.1 for the taxation year mentioned therein is, as the case may be,

(a) where the rules provided for in Book V.2.1 do not apply to the person for that taxation year, a person in respect of whom an amount would be, but for paragraph *d* of section 752.0.14, deductible under section 752.0.14 or 752.0.15 in computing the individual's tax payable under this Part for that taxation year;

(b) where the rules provided for in Book V.2.1 apply to the person for that taxation year, a person in respect of whom paragraphs *a* to *c* of section 752.0.14 apply for that taxation year.

“752.0.11.1.2. The person referred to in the portion of paragraph *m.1* of section 752.0.11.1 before subparagraph *i* for the taxation year mentioned therein is, as the case may be,

(a) where the rules provided for in Book V.2.1 do not apply to the person for that taxation year, a person in respect of whom an amount is deductible under section 752.0.14 or 752.0.15 in computing an individual's tax payable under this Part for that taxation year;

(b) where the rules provided for in Book V.2.1 apply to the person for that taxation year, a person in respect of whom paragraphs *a* to *d* of section 752.0.14 apply for that taxation year.”

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

124. (1) Section 752.0.18.2 of the said Act, enacted by section 118 of chapter 14 of the statutes of 1997, is amended by replacing, in paragraph *a*, “737.16 and 737.21” by “737.16, 737.21 and 737.22.0.3”.

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

125. (1) Section 752.0.18.7 of the said Act, enacted by section 118 of chapter 14 of the statutes of 1997, is amended by replacing “737.16 and 737.21” by “737.16, 737.21 and 737.22.0.3”.

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

126. (1) The said Act is amended by inserting, after section 752.0.18.9, enacted by section 118 of chapter 14 of the statutes of 1997, the following:

“CHAPTER I.0.3.3

“TAX CREDIT FOR TUITION FEES AND EXAMINATION FEES

“752.0.18.10. An individual may deduct from tax otherwise payable for a taxation year under this Part an amount equal to 23% of the aggregate of

(a) the amount of the individual's tuition fees paid in respect of a year subsequent to the taxation year 1996, where the individual was in the year an

enrolled student, the fees are paid to one of the following educational institutions and the conditions set out in section 752.0.18.13 are met in respect of that amount:

i. an educational institution in Canada that is a university, college or other institution providing post-secondary education, if the fees are paid in respect of an instructional program at the post-secondary level,

ii. an educational institution in Canada recognized by the Minister to be an institution providing courses, other than courses designed for university credit, that furnish a person with skills for, or improve a person's skills in, an occupation,

iii. an educational institution in the United States that is a university, college or other institution providing post-secondary education, if the individual resided in Canada throughout the year near the boundary between Canada and the United States, commuted between the individual's residence and the educational institution and paid the fees in respect of an instructional program at the post-secondary level, or

iv. a university outside Canada if the individual pursued full-time studies leading to a degree, for a period of at least thirteen consecutive weeks; and

(b) the amount of the individual's examination fees paid in respect of a year subsequent to the taxation year 1996 to a professional order mentioned in Schedule I to the Professional Code (chapter C-26) where the examination is required to allow the individual to become a member of the corporation and the conditions set out in section 752.0.18.13 are met in respect of that amount.

"752.0.18.11. The deduction provided for in section 752.0.18.10 in respect of an individual is allowable only if the total amount of the tuition fees and the examination fees paid in respect of a taxation year exceeds \$100.

"752.0.18.12. For the purposes of section 752.0.18.10, the amount of tuition fees and examination fees paid in respect of a taxation year does not include

(a) an amount paid for one of those purposes on the individual's behalf by the individual's employer or by an employer of the individual's father or mother, unless the amount is included in computing the individual's income or that of the individual's father or mother, as the case may be;

(b) where the tuition fees are paid to an educational institution referred to in subparagraph i or ii of paragraph a of section 752.0.18.10, the fees in respect of which the individual is or was entitled to receive a reimbursement or any form of assistance under a program of Her Majesty in right of Canada or a province designed to facilitate the entry or re-entry of workers into the labour force, unless the amount of the reimbursement or assistance, as the case may be, is included in computing the individual's income; or

(c) the fees paid to an educational institution referred to in subparagraph ii of paragraph *a* of section 752.0.18.10 if,

i. the individual had not yet reached 16 years of age at the end of the year in respect of which the fees are paid, or

ii. it is not reasonable to consider that the purpose of the individual's enrolment at the institution was to provide the individual with skills, or to improve the individual's skills, in an occupation.

“752.0.18.13. The conditions to which section 752.0.18.10 refers in respect of an amount for a taxation year in relation to an individual are as follows:

(a) the amount was not taken into account in determining an amount that was deducted under this chapter in computing the individual's tax payable under this Part for a preceding taxation year;

(b) the amount was not taken into account in determining an amount that was deducted under section 118.5, 118.8 or 118.9 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing the individual's or another person's tax payable under that Act for a preceding taxation year in respect of which the individual was not subject to tax under this Part.

“752.0.18.14. Where an individual is absent from Canada but resident in Québec for all or part of a taxation year in respect of which tuition fees are paid, subparagraphs i and ii of paragraph *a* of section 752.0.18.10 shall be read, in relation to fees paid in respect of that year, without reference to the words “in Canada”.”

(2) Subsection 1 applies from the taxation year 1997. However, where the portion of section 752.0.18.10 before paragraph *a*, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference therein to “23%” were a reference to “20%”.

127. (1) The heading of Chapter I.0.4 of Title I of Book V of Part I of the said Act is replaced by the following heading:

“TRANSFER TO SPOUSE OF UNUSED TAX CREDITS FOR A SEVERE AND PROLONGED MENTAL OR PHYSICAL IMPAIRMENT”.

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

128. (1) Section 752.0.19 of the said Act, amended by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing paragraph *a* by the following paragraph:

“(a) the amount that the individual's spouse may deduct from the spouse's tax otherwise payable for the year under section 752.0.14, exceeds”.

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

129. (1) Section 752.0.22 of the said Act, amended by section 119 of chapter 14 of the statutes of 1997, is replaced by the following section:

“752.0.22. For the purpose of computing the tax payable under this Part by an individual, the following provisions shall be applied in the following order: sections 752.0.1, 752.0.7.4, 752.0.18.1, 752.0.18.3, 752.0.18.8, 752.0.14 to 752.0.16, 752.0.19, 752.0.13.4, 752.0.11 to 752.0.13.1.1, 752.0.10.6, 752.0.18.10 and 767.”

(2) Subsection 1 applies from the taxation year 1997. However, where section 752.0.22 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read as follows:

“752.0.22. For the purpose of computing the tax payable under this Part by an individual, the following provisions shall be applied in the following order: sections 752.0.1, 752.0.18.1, 752.0.18.3, 752.0.18.8, 752.0.8, 752.0.9, 752.0.14 to 752.0.16, 752.0.19, 752.0.13.4, 752.0.11 to 752.0.13.1.1, 752.0.10.6, 752.0.18.10 and 767.”

130. (1) Section 752.0.24 of the said Act, amended by section 174 of chapter 49 of the statutes of 1995 and by section 120 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in the portion of subparagraph *a* of the first paragraph before subparagraph *i*, in subparagraph *b* of that paragraph and in the second paragraph, “752.0.1 to 752.0.19” by “752.0.1 to 752.0.7 and 752.0.10.1 to 752.0.19”;

(2) by replacing, in subparagraph *i* of subparagraph *a* of the first paragraph, “and 752.0.18.8” by “, 752.0.18.8 and 752.0.18.10”;

(3) by replacing, in subparagraph *ii* of subparagraph *a* of the first paragraph, “752.0.9” by “752.0.7”.

(2) Paragraphs 1 and 3 of subsection 1 apply from the taxation year 1998.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1997.

131. (1) Section 752.0.25 of the said Act, amended by section 121 of chapter 14 of the statutes of 1997, is again amended by replacing “and 752.0.18.3 to 752.0.19” by “, 752.0.18.3, 752.0.18.8 and 752.0.19”.

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

132. (1) Section 752.0.26 of the said Act, amended by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing “752.0.8 to 752.0.18.9” by “752.0.7.1 to 752.0.18.14”.

(2) Subsection 1 applies from the taxation year 1997. However, where section 752.0.26 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference therein to “752.0.7.1” were a reference to “752.0.8”.

133. (1) Section 752.0.27 of the said Act, amended by section 206 of chapter 39 of the statutes of 1996 and replaced by section 122 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in the portion before paragraph *a*, “752.0.10” by “752.0.7”;

(2) by replacing, in paragraphs *a* and *b*, “any of paragraphs *h* to *j*” by “paragraph *i*”;

(3) by replacing, in paragraph *b*, “any of sections 752.0.8, 752.0.9 and” and “any of those paragraphs or sections” by “section” and “that paragraph or section”, respectively.

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

134. (1) Section 752.14 of the said Act, amended by section 63 of chapter 63 of the statutes of 1995, is replaced by the following section:

“752.14. For the purposes of section 752.12, additional tax of an individual for a taxation year is,

(*a*) where the rules provided for in Book V.2.1 do not apply to the individual for that taxation year, the amount by which the individual’s minimum tax applicable for the year as determined under section 776.46 exceeds the amount that would be the tax otherwise payable by the individual under this Part for the year if such amount were computed under Book V without reference to sections 752.1 to 752.5, 772.2 to 772.13, 776 and 776.1.1 to 776.1.5;

(*b*) where the rules provided for in Book V.2.1 apply to the individual for that taxation year, the amount by which the individual’s minimum tax applicable for the year as determined under section 776.84 exceeds the amount that would be the tax otherwise payable by the individual under this Part for the year but for Title V of that Book.”

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

135. (1) The said Act is amended by inserting, after section 752.15, the following section:

“752.15.1. For the purposes of section 752.14, the minimum tax applicable to an individual for a taxation year, as determined under section 776.84, shall be computed, as the case may be, by applying the proportion referred to in the second paragraph of section 22.”

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

136. (1) Section 766.2 of the said Act, amended by section 84 of chapter 1 of the statutes of 1995 and by section 125 of chapter 14 of the statutes of 1997, is again amended

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

“766.2. Where, by reason of section 725.1.2, an individual deducts a particular amount in computing the individual’s taxable income, or the individual’s taxable income earned in Canada as determined under Part II, for a taxation year, the individual shall add to the individual’s tax otherwise payable under this Part for that year the aggregate of all amounts each of which is the amount by which”;

(2) by replacing, in subparagraph *c* of the second paragraph, “309.1” by “725.1.2”.

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

137. (1) Section 766.4 of the said Act, enacted by section 85 of chapter 1 of the statutes of 1995, is amended by replacing the portion before subparagraph *a* of the first paragraph by the following :

“766.4. Where, by reason of section 694.0.1, an individual must include a particular amount in computing the individual’s income for a taxation year, the individual may deduct from the individual’s tax otherwise payable under this Part for that year, the aggregate of all amounts each of which is the amount by which”.

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

138. (1) Section 767 of the said Act is amended by replacing the third paragraph by the following paragraph :

“The first paragraph does not apply in respect of an amount deducted under paragraph *e* of section 725 in computing the individual’s taxable income for the year or included in the part referred to in the first paragraph of section 737.16 of the individual’s income for the year.”

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

139. (1) Section 771 of the said Act, amended by section 199 of chapter 1 of the statutes of 1995, by section 64 of chapter 63 of the statutes of 1995 and by section 33 of chapter 3 of the statutes of 1997, is again amended, in subsection 1,

(1) by replacing the portion of paragraph *f* before subparagraph *i* by the following:

“(f) notwithstanding paragraph *d.2*, in the case of a corporation referred to in paragraph *b*, other than a corporation whose first taxation year begins after 25 March 1997, for a taxation year ending after 31 August 1991 and for which it is a qualified corporation within the meaning of sections 771.5 to 771.7, to the aggregate of 5.75% of the portion of its taxable income for the year equal to the amount determined in its respect for the year under section 771.9 and the amount by which 16.25% of the remaining portion of its taxable income for the year exceeds the aggregate of”;

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

“(h) notwithstanding paragraph *d.2*, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for a taxation year for which it is a qualified corporation within the meaning of sections 771.5 to 771.7, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of

i. 16.25% of the amount determined in respect of the corporation for the year under section 771.8.3,

ii. 7.35% of the amount by which the lesser of the amount determined in respect of the corporation for the year under paragraph *b* of section 771.8.3 and, where the corporation is not a corporation referred to in paragraph *c* of section 771.8.3, the amount by which its income for the year from an eligible business carried on by the corporation exceeds its loss for the year from such business or, where the corporation is a corporation referred to in that paragraph *c*, the greater of the latter excess amount and the aggregate referred to in subparagraph ii of paragraph *d.2*, exceeds the amount determined in its respect for the year under section 771.8.3, and

iii. where the corporation was, throughout the year, a savings and credit union, 3.15% of the amount by which the amount determined in its respect for the year under section 771.0.2.1 exceeds the amount determined in its respect for the year under section 771.8.3;

“(i) notwithstanding paragraphs *d.2* and *h*, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for its taxation year that includes the last day of its exemption period and for which it is a qualified corporation within the meaning of sections 771.5 to 771.7, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of

i. 16.25% of the amount determined in respect of the corporation for the year under section 771.8.4,

ii. 7.35% of the amount by which the lesser of the amount determined in respect of the corporation for the year under paragraph *b* of section 771.8.4 and, where the corporation is not a corporation referred to in paragraph *c* of section 771.8.4, the amount by which its income for the year from an eligible business carried on by the corporation exceeds its loss for the year from such business or, where the corporation is a corporation referred to in the said paragraph *c*, the greater of the latter excess amount and the aggregate referred to in subparagraph ii of paragraph *d.2*, exceeds the amount determined in its respect for the year under section 771.8.4, and

iii. 3.15% of the amount by which the amount determined in its respect for the year under section 771.0.2.1 exceeds the amount determined in its respect for the year under section 771.8.4;

“(j) notwithstanding paragraph *d.2*, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for a taxation year for which it is an exempt corporation within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds 16.25% of the amount determined in its respect for the year under section 771.8.5;

“(k) notwithstanding paragraphs *d.2* and *j*, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for its taxation year that includes the last day of its eligibility period and for which it is an exempt corporation within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of

i. 16.25% of the proportion of the amount determined in respect of the corporation for the year under section 771.8.5 that the number of days in the year included in the eligibility period of the corporation is of the number of days in the year,

ii. 7.35% of the proportion of the amount determined in its respect for the year under section 771.8.5 that the number of days in the year not included in the eligibility period of the corporation is of the number of days in the year, and

iii. where the corporation was, throughout the year, a Canadian-controlled private corporation, 3.15% of the proportion of the lesser of the amount determined in its respect for the year under section 771.8.5 and its business limit for the year that the number of days in the year not included in the eligibility period of the corporation is of the number of days in the year.”

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

140. (1) Section 771.0.2.1 of the said Act, amended by section 66 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the portion before paragraph *a*, “*f* and *g*” by “*f* to *i*”.

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

141. (1) Section 771.0.2.2 of the said Act, amended by section 67 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the first paragraph, the portion before the formula by the following :

“771.0.2.2. The amount that, for the purposes of paragraph *b* of sections 771.0.2.1 and 771.8.1 to 771.8.5, must be determined in respect of a corporation for a taxation year under this section is the amount determined in respect of the corporation for the year by the formula”.

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

142. (1) The said Act is amended by inserting, after section 771.0.6, the following section :

“771.0.7. For the purposes of this Title, a corporation is deemed, for the purpose of determining whether it is associated with one or more other corporations in a taxation year, not to be associated in that year with a corporation which, in that year, is not resident and does not have any establishment in Canada.”

(2) Subsection 1 is declaratory.

143. (1) Section 771.1 of the said Act, amended by section 68 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section :

“771.1. In this Title,

“eligibility period” of a corporation means the period that begins at the beginning of the corporation’s first taxation year and ends on the earlier of

(a) the last day of the five-year period that begins at the beginning of the corporation’s first taxation year, and

(b) the last day of the taxation year preceding the taxation year in which the corporation ceases to be an exempt corporation within the meaning of sections 771.12 and 771.13 ;

“eligible business”, in relation to any business carried on by a corporation, means any business carried on by a corporation other than a specified investment business or a personal services business and includes, except for the purposes of subparagraph *a* of the second paragraph of section 771.6 and paragraph *d* of sections 771.8 to 771.8.4, an adventure or concern in the nature of trade ;

“exemption period” of a corporation means the period that begins at the beginning of the corporation’s first taxation year and ends on the earlier of

(a) the last day of the five-year period that begins at the beginning of the corporation's first taxation year, and

(b) the last day of the taxation year preceding the taxation year in which the corporation ceases to be a qualified corporation within the meaning of sections 771.5 to 771.7;

“information technology development centre” means a group of businesses carried on in the same building designated by the Minister of Finance;

“specified investment business” carried on by a corporation in a taxation year means a business, other than a business carried on by a savings and credit union or a business of leasing property other than immovable property, the principal purpose of which is to derive income from property, including interest, dividends, rents or royalties, unless the corporation employs in the business throughout the year more than five full-time employees, or in the course of carrying on an eligible business, any other corporation associated with it provides financial, administrative, maintenance, managerial or other similar services to the corporation in the year and the corporation could reasonably be expected to require more than five full-time employees if those services had not been provided.”

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

144. (1) Section 771.1.3 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

“771.1.3. Notwithstanding section 771.1.2, if none of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and all of those corporations have filed with the Minister in prescribed form an agreement whereby, for the purposes of this Title, they allocate an amount to one or more of them for the year and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, is \$200,000, the business limit for the year of each of the corporations is the amount so allocated to it.”

(2) Subsection 1 applies to taxation years of a corporation that end after 25 September 1996, except where an agreement has been filed with the Minister of Revenue by the corporation before 26 March 1997, in accordance with section 771.1.3 of the said Act, replaced by subsection 1, or where the Minister of Revenue has allocated, before 26 March 1997, an amount to the corporation under section 771.1.4 of the said Act replaced by section (*insert the section number in this Act that replaces section 771.1.4 of the Taxation Act*).

145. (1) Section 771.1.4 of the said Act, replaced by section 34 of chapter 3 of the statutes of 1997, is again replaced by the following section:

“771.1.4. If any of the Canadian-controlled private corporations referred to in section 771.1.3 has failed to file with the Minister an agreement referred to therein within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this Title, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal \$200,000, and in any such case, notwithstanding section 771.1.2, the business limit for the year of each of the corporations is the amount so allocated to it.”

(2) Subsection 1 applies to taxation years of a corporation that end after 25 September 1996, except where the Minister of Revenue has allocated, before 26 March 1997, an amount to the corporation under section 771.1.4 of the said Act replaced by subsection 1.

146. (1) The said Act is amended by inserting, after section 771.1.4, the following section:

“771.1.4.1. Notwithstanding section 771.1.2, where any of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and an amount is allocated, in accordance with subsection 3 or 4 of section 125 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to one or more of those corporations for the year, the business limit for the year of each of the corporations is deemed to be its business limit that would be determined for that year for the purposes of paragraph *c* of subsection 1 of that section 125 but for subsection 5.1 of that section.

Where, for a taxation year, a corporation referred to in the first paragraph has filed an agreement with the Minister of National Revenue in accordance with subsection 3 of section 125 of the Income Tax Act, the corporation shall file with the Minister, for that year, a copy of the agreement.”

(2) Subsection 1 applies to taxation years of a corporation that end after 25 September 1996, except where an agreement has been filed with the Minister of Revenue by the corporation before 26 March 1997, in accordance with section 771.1.3 of the said Act, replaced by section (*insert the section number in this Act that replaces section 771.1.3 of the Taxation Act*), or for which the Minister of Revenue has allocated an amount before 26 March 1997 to the corporation under section 771.1.4 of the said Act, replaced by section (*insert the section number in this Act that replaces section 771.1.4 of the Taxation Act*). However, where section 771.1.4.1 of the said Act, enacted by subsection 1, applies to taxation years prior to the taxation year 1998, it shall be read as follows:

“771.1.4.1. Notwithstanding section 771.1.2, where any of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than

Québec and an amount is allocated, in accordance with subsection 3 of section 125 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to one or more of those corporations for the year, the amount so allocated to a corporation is deemed, for that year, to be the amount allocated to that corporation for the purposes of this Title and the business limit for the year of each of the corporations is the amount so allocated to it for the year.

If, for a taxation year, a corporation referred to in the first paragraph has filed an agreement with the Minister of National Revenue in accordance with subsection 3 of section 125 of the Income Tax Act, it shall file with the Minister, for that year, a copy of the agreement.

If any of the Canadian-controlled private corporations referred to in the first paragraph has failed to file with the Minister a copy of the agreement referred to in the second paragraph within 30 days after notice in writing by the Minister has been forwarded to any of them that a copy of such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this Title, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal \$200,000, and in any such case, notwithstanding the first paragraph, the business limit for the year of each of the corporations is the amount so allocated to it.”

147. (1) Section 771.1.5 of the said Act, amended by section 69 of chapter 63 of the statutes of 1995 and by section 35 of chapter 3 of the statutes of 1997, is again amended

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

“(a) where a Canadian-controlled private corporation to which section 771.1.3 or 771.1.4 applies, in this section referred to as the “first corporation”, has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another Canadian-controlled private corporation that has a taxation year ending in that calendar year, the business limit of the first corporation for each particular taxation year ending in the calendar year in which it is associated with the other corporation that ends after the first such taxation year ending in that calendar year is, subject to the application of paragraph *b*, an amount equal to the lesser of” ;

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

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

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

(3) In addition, where section 771.1.4.1 of the said Act, enacted by section (insert the section number in this Act that enacts section 771.1.4.1 of the Taxation Act), applies to taxation years preceding the taxation year 1998, section 771.1.5 of the said Act, amended by subsection 1, shall be read as if the reference in the portion before paragraph *a* thereof to “771.1.4” were a reference to “771.1.4.1” and as if the reference in subparagraphs *i* and *ii* of paragraph *a* thereof to “section 771.1.3 or 771.1.4” were a reference to “any of sections 771.1.3 to 771.1.4.1”.

148. (1) Section 771.2.2 of the said Act, replaced by section 71 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997, is again replaced by the following section :

“771.2.2. For the purposes of subparagraphs *i* and *ii* of paragraphs *d.1* and *d.2* of subsection 1 of section 771, subparagraphs *ii* and *iii* of paragraphs *e* to *i* of subsection 1 of section 771 and paragraph *d* of sections 771.8 to 771.8.4, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed as if any income or loss of the corporation for the year from the operations of an international financial centre were nil.”

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

149. (1) Section 771.5 of the said Act, amended by section 72 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 83 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in the portion before paragraph *a*, “paragraphs *e* to *g*” by “paragraphs *e* to *i*”;

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

“(c) the year is

i. in respect of a corporation the first taxation year of which began after 25 March 1997, included, in whole or in part, in the exemption period of the corporation, and

ii. in any other case, one of the first three taxation years of the corporation ;”.

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

150. (1) Section 771.5.1 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997 and by section 84 of chapter 31 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph :

“771.5.1. For the purposes of paragraph *d* of section 771.5, a return that has not been filed by the corporation referred to therein within the time specified therein is deemed to have been filed within that time if the return is filed, in prescribed form and along with a payment by the corporation of the penalty described in the second paragraph, on or before the corporation’s filing-due date:

(*a*) in the case of a corporation whose first taxation year begins after 25 March 1997, for its taxation year in which the five-year period following the beginning of its first taxation year ends; and

(*b*) in any other case, for its third taxation year.”

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

151. (1) Section 771.6 of the said Act, amended by section 73 of chapter 63 of the statutes of 1995, by section 208 of chapter 39 of the statutes of 1996 and by section 38 of chapter 3 of the statutes of 1997, is again amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(*b*) its paid-up capital that, but for sections 1138.0.1 and 1141.3, would be determined in accordance with section 771.1.5.3 for the taxation year preceding the year or, where the corporation’s year is its first fiscal period, that is determined on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles, exceeds

i. in the case of a corporation whose first taxation year begins after 25 March 1997, \$15,000,000, and

ii. in any other case, \$10,000,000.”

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

152. (1) The said Act is amended by inserting, after section 771.8.2, enacted by section 76 of chapter 63 of the statutes of 1995, the following sections:

“771.8.3. The amount which, for the purposes of subparagraphs i to iii of paragraph *h* of subsection 1 of section 771, is to be determined under this section in respect of a corporation for a taxation year is the least of

(*a*) \$200,000;

(*b*) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the amount, if any, of the corporation’s taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part; and

(c) where the corporation was a savings and credit union throughout the year, the greater of

i. the amount by which $\frac{4}{3}$ of its maximum cumulative reserve at the end of the year exceeds the aggregate, for any preceding taxation year, of the amount determined in its respect under this section and the excess amount described in subparagraph iii of paragraph *h* of subsection 1 of section 771, and

ii. the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business; or

(d) where the corporation is not a corporation referred to in paragraph *c*, the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business.

“771.8.4. The amount which, for the purposes of subparagraphs i to iii of paragraph *i* of subsection 1 of section 771, is to be determined in respect of a corporation for a taxation year under this section is the least of

(a) the proportion of \$200,000 that the number of days in the year between the corporation’s exemption period is of the number of days in the year;

(b) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the amount, if any, of the corporation’s taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part; and

(c) where the corporation was a savings and credit union throughout the year, the greater of

i. the amount by which $\frac{4}{3}$ of its maximum cumulative reserve at the end of the year exceeds the aggregate, for any preceding taxation year, of the amount determined in its respect under section 771.8.3 and the excess amount described in subparagraph iii of paragraph *h* of subsection 1 of section 771, and

ii. the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business; or

(d) where the corporation is not a corporation referred to in paragraph *c*, the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business.

“771.8.5. The amount which, for the purposes of paragraph *j* and subparagraphs *i* to *iii* of paragraph *k* of subsection 1 of section 771, is to be determined under this section in respect of a corporation for a taxation year is the lesser of

(*a*) the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business; and

(*b*) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the amount, if any, of the corporation’s taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part.

“771.8.6. Where the taxation year of a corporation referred to in section 771.8.3 or 771.8.4 has fewer than 51 weeks, the reference in paragraph *a* of that section to \$200,000 shall be read as a reference to the proportion of that amount that the number of days in the year is of 365.”

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

153. (1) Section 771.9 of the said Act, amended by section 77 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing paragraph *a* by the following paragraph :

“(a) the amount by which any excess amount referred to in subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.2 in respect of the corporation for a taxation year preceding the particular year in relation to a non-capital loss sustained by the corporation for a taxation year ending before 26 March 1997 exceeds the amount determined, where such is the case, under this section for the immediately preceding taxation year;”.

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

154. (1) Section 771.11 of the said Act, replaced by section 78 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997 and by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph :

“771.11. Where the tax payable by a corporation for a particular taxation year is determined under any of paragraphs *e* to *g* of subsection 1 of section 771, the corporation is deemed, for the purposes of the application of section 734 and subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.2 to any subsequent taxation year, to have deducted under Title VII of Book IV, in computing its taxable income for the particular year, the amount that may be deducted in respect of any loss sustained for a taxation year ending before 26 March 1997 which, except where the corporation was a savings and credit

union throughout the particular year, is not a net capital loss under the said Title in such computation for the particular year and which the corporation has not otherwise deducted in such computation for the particular year.”

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

155. (1) The said Act is amended by inserting, after section 771.11, the following sections :

“771.12. For the purposes of paragraphs *j* and *k* of subsection 1 of section 771 and subject to section 771.13, a corporation is an exempt corporation for a taxation year where

(a) the corporation holds a certificate issued and unrevoked by the Minister of Finance establishing that the corporation carries on a business in a building housing an information technology development centre and that the carrying on of the business began after 25 March 1997 ;

(b) the corporation is not a corporation resulting from an amalgamation or a merger of several corporations ;

(c) all or substantially all of the corporation’s activities in the year and in any preceding year consist in carrying on an eligible business ;

(d) the year is comprised in whole or in part in the corporation’s eligibility period ; and

(e) the corporation has filed a copy of the certificate referred to in paragraph *a* with the Minister.

“771.13. A corporation is not an exempt corporation for a taxation year if, at any time in the period extending from the day of its incorporation to the end of that year, the corporation was a beneficiary of a trust or carried on

(a) a personal services business ; or

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

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

156. (1) Section 772.2 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 209 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 129 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing paragraph *a* of the definition of “tax otherwise payable” by the following paragraph :

“(a) without reference to this chapter, sections 752.1 to 752.5, 766.2 to 766.4, 767, 776 to 776.1.6, 776.17, 776.29 to 776.40, 1183 and 1184 and subparagraphs i and ii of paragraph *d.2* of subsection 1 of section 771, subparagraphs i to iii of paragraphs *f*, *h*, *i* and *k* of that subsection 1 and paragraph *j* of that subsection 1 ; and”;

(2) by replacing subparagraph 2 of subparagraph ii of paragraph *a* of the definition of “unused portion of the foreign tax credit” by the following subparagraph:

“(2) where the year is a taxation year that is before the taxation year 1998, the total of the amount deductible under section 772.8 in respect of that country in computing the individual’s tax payable under this Part for the year and the portion, that may reasonably be regarded as deductible under section 1086.3 in computing the individual’s tax payable under Part I.1 for the year, of the business-income tax paid by the individual for the year in respect of businesses carried on by the individual in that country, or, where the year is a taxation year that is after the taxation year 1997, the amount deductible under section 772.8 in respect of that country in computing the individual’s tax payable under this Part for the year; and”.

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 25 March 1997.

157. (1) Section 772.7 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997 and by section 130 of chapter 14 of the statutes of 1997, is again amended by inserting, in subparagraph ii of subparagraph *b* of the first paragraph, “737.22.0.3,” after “737.21,”.

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

158. (1) Section 772.9 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 131 of chapter 14 of the statutes of 1997, is again amended by inserting, in subparagraph 2 of subparagraph ii of paragraph *a*, “737.22.0.3,” after “737.21,”.

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

159. Section 772.10 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995, is amended by replacing paragraph *c* by the following paragraph:

“(c) an individual’s unused portion of the foreign tax credit in respect of a country for a taxation year is deductible under section 772.8 in computing the individual’s tax payable under this Part for a particular taxation year only to the extent that it exceeds the aggregate of the amounts deducted in respect of that unused portion of the foreign tax credit in computing the individual’s tax

payable under this Part for taxation years preceding the particular year, or under Part I.1 for taxation years preceding the particular year that are before the taxation year 1998.”

160. (1) Section 772.11 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 132 of chapter 14 of the statutes of 1997, is again amended by inserting, in subparagraph 2 of subparagraph ii of subparagraph *a* of the second paragraph, “737.22.0.3,” after “737.21,”.

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

161. (1) Section 776.1.4 of the said Act, replaced by section 86 of chapter 63 of the statutes of 1995 and amended by section 135 of chapter 14 of the statutes of 1997, is again amended by replacing subparagraph *a* of the second paragraph by the following subparagraph :

“(a) the aggregate of the individual’s pensionable salary and wages for the year, determined in accordance with section 45 of the Act respecting the Québec Pension Plan (chapter R-9) and, where such pensionable salary and wages are determined for the year 1996 or 1997, as if that section were read without reference to subparagraph *c* of the second paragraph thereof, and the individual’s income for the year from a business exceeds the amount of Basic Exemption determined for the year in accordance with section 42 of that Act; and”.

(2) Subsection 1 applies in respect of shares acquired after 9 May 1996.

162. (1) Title IV.1 of Book V of Part I of the said Act is repealed.

(2) Subsection 1 has effect from 1 September 1997, except in respect of payments of

(1) a child allowance provided for in the Act respecting family assistance allowances (R.S.Q., chapter A-17) that relate to a situation before 1 August 1997, or

(2) a newborn child allowance provided for in sections 8 to 12.1 of the Act respecting family assistance allowances in respect of children who, on 30 September 1997, give entitlement or have given entitlement to that allowance or in respect of children placed for adoption in a family before 1 October 1997, even where in that case the required adoption judgment has yet to be pronounced.

163. (1) Section 776.29 of the said Act, amended by section 86 of chapter 1 of the statutes of 1995, by section 88 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 137 of chapter 14 of the statutes of 1997, is replaced by the following section :

“776.29. In this Title,

“eligible spouse” of an individual for a taxation year means the person who is the individual’s spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual;

“family income” of an individual for a taxation year means the amount by which \$26,000 is exceeded by the aggregate of:

(a) the income of the individual for the year; and

(b) the income, for the year, of the individual’s eligible spouse for the year;

“tax otherwise payable” by an individual under this Part for a taxation year means the tax payable by the individual for the year under this Part, computed without reference to this Title.”

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

(1) where subparagraph *c* of the first paragraph of section 776.29 of the said Act, replaced by subsection 1, applies to the taxation year 1997, that subparagraph shall be read without reference to subparagraph 4 of subparagraph i and subparagraph 2 of subparagraph ii;

(2) where subparagraph *a* of the fourth paragraph of section 776.29 of the said Act, replaced by subsection 1, applies to the taxation year 1997, it shall be read as follows:

“(a) any amount that may or would, but for section 752.0.18.2, be included for the year in the aggregate referred to in section 752.0.18.1 in respect of the individual;”.

164. (1) Section 776.30 of the said Act, amended by section 87 of chapter 1 of the statutes of 1995, is replaced by the following section:

“776.30. For the purposes of the definition of “eligible spouse” in section 776.29, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.”

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

165. (1) The said Act is amended by inserting, after section 776.30, the following section:

“776.30.1. For the purposes of the definition of “family income” in section 776.29, where an individual was resident in Canada for only part of a taxation year, the individual’s income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part but for Book V.2.1 and if the individual had been resident in Québec and Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.”

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

166. (1) Section 776.32 of the said Act is amended

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

“776.32. Every individual, other than a trust, who is resident in Québec on the last day of a taxation year and, during the year, has a dependent person as is designated in the prescribed form by the individual, may deduct from the individual’s tax otherwise payable for that taxation year under this Part an amount equal to the amount, for the year, by which the aggregate determined under section 776.33 exceeds the amount determined under section 776.34.”;

(2) by striking out the second paragraph.

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

167. (1) The said Act is amended by inserting, after section 776.32, the following sections:

“776.32.1. Where an individual is referred to in the second paragraph of section 22, the amount that may be deducted by the individual under section 776.32 from the individual’s tax otherwise payable for a taxation year under this Part shall not exceed that portion of the amount that is the proportion determined under that paragraph in respect of the individual for the year.

“776.32.2. Where, for a taxation year, a particular individual referred to in section 776.32 has an eligible spouse for the year who is also an individual referred to in that section,

(a) the amount deductible by the particular individual for the year under section 776.32, determined without reference to this section, shall be reduced by such portion of the amount as is designated in respect of the particular individual by the particular individual and the eligible spouse in prescribed form filed by the particular individual with the individual’s fiscal return under this Part for the year;

(b) the amount deductible by the eligible spouse for the year under section 776.32, determined without reference to this section, shall be reduced by the amount determined for the year under paragraph a in respect of the particular individual;

(c) where the particular individual and the eligible spouse cannot agree on the portion of the amount that may be designated for the year in accordance with paragraph *a* in respect of the particular individual, the Minister may designate such portion and, for the purposes of paragraph *a*, the designation is deemed to have been made in prescribed form by the particular individual and the eligible spouse; and

(d) the amount determined for the year under paragraph *a* in respect of the particular individual and the amount determined for the year under paragraph *b* in respect of the eligible spouse are deemed to be the amount deductible by the particular individual for the year under that section 776.32 and the amount so deductible by the eligible spouse for the year, respectively.”

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

168. (1) Section 776.33 of the said Act is amended

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

“776.33. The aggregate to which the first paragraph of section 776.32 refers is equal to the total of”;

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

“(b) \$530 in respect of the individual’s eligible spouse for the year;”.

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

169. (1) Section 776.34 of the said Act, amended by section 88 of chapter 1 of the statutes of 1995, is replaced by the following section :

“776.34. The amount to which the first paragraph of section 776.32 refers is equal to 6% of the family income of the individual referred to therein for the year.”

(2) Subsection 1 applies from the taxation year 1998. In addition, where section 776.34 of the said Act, replaced by subsection 1, applies to the taxation year 1997, the portion of paragraph *a* of that section before subparagraph *i* shall be read as if the reference therein to “4%” were a reference to “4.7%”.

170. (1) Sections 776.35 and 776.36 of the said Act are repealed.

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

171. (1) Section 776.37 of the said Act is replaced by the following section :

“776.37. An individual who has an eligible spouse for a taxation year is entitled to the deduction under section 776.32 for the taxation year only if the individual files with the Minister, together with the individual’s fiscal return under this Part for the year, a certificate from the spouse in prescribed form.”

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

172. (1) Section 776.40 of the said Act is amended by striking out the words “in the second paragraph of section 776.32 or”.

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

173. (1) Section 776.42 of the said Act, amended by section 89 of chapter 1 of the statutes of 1995, by section 90 of chapter 63 of the statutes of 1995 and by section 273 of chapter 39 of the statutes of 1996, is again amended by striking out, in the portion before paragraph *a*, “, except section 776.66” and “and 776.66”.

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

174. (1) Section 776.43 of the said Act, amended by section 90 of chapter 1 of the statutes of 1995, is again amended by striking out, in the second paragraph, “and 776.66”.

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

175. (1) Section 776.45 of the said Act is amended by adding, after paragraph *e*, the following paragraph:

“(f) a taxation year of an individual to whom the rules provided for in Book V.2.1 apply for that taxation year.”

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

176. (1) Section 776.65 of the said Act, amended by section 92 of chapter 63 of the statutes of 1995 and by section 141 of chapter 14 of the statutes of 1997, is again amended by striking out, in the first and second paragraphs, “752.0.7, 752.0.10.1 to 752.0.10.15, 752.0.11 to”.

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

177. (1) Book V.2 of Part I of the said Act, enacted by section 91 of chapter 1 of the statutes of 1995, is repealed.

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