

1991, chapter 8
**AN ACT TO AMEND THE TAXATION ACT
AND OTHER FISCAL LEGISLATION**

Bill 114

Introduced by Mr Raymond Savoie, Minister of Revenue

Introduced 20 December 1990

Passage in principle 12 March 1991

Passage 16 May 1991

Assented to 21 May 1991

Coming into force: 21 May 1991

Acts amended:

Taxation Act (R.S.Q., chapter I-3)

Act respecting the Ministère du Revenu (R.S.Q., chapter M-31)

Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5)

Act respecting the Québec Pension Plan (R.S.Q., chapter R-9)

Act respecting real estate tax refund (R.S.Q., chapter R-20.1)

Act to amend the Taxation Act and other fiscal legislation (1990, chapter 7)



CHAPTER 8

An Act to amend the Taxation Act and other fiscal legislation

[Assented to 21 May 1991]

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

c. I-3,
s. 27,
replaced

1. (1) Section 27 of the Taxation Act (R.S.Q., chapter I-3) is replaced by the following section:

Tax payable
by certain
corporations
not resident
in Canada

“27. Any corporation not contemplated in section 22 and not resident in Canada that disposes in a taxation year of taxable Québec property shall pay a tax at the rate established in subsection 1 of section 771 and in sections 771.0.1.1 and 771.0.1.2 on the amounts described in paragraphs *d*, *e*, *f* and *h* of section 1089 that are applicable thereto and on the amount by which the aggregate of its taxable capital gains exceeds the aggregate of its allowable capital losses from the disposition of such property.

Corporation
carrying on
business
outside
Québec

Where a corporation contemplated in section 22 has an establishment outside Québec, its tax payable is equal to the proportion of the tax established under subsection 1 of section 771 and sections 771.0.1.1 and 771.0.1.2 that the business it carries on in Québec is of the entire business it carries on in Québec and elsewhere, as determined under subsection 2 of section 771.”

(2) This section applies to taxation years ending after 16 May 1989. However, where section 27 of the Taxation Act, enacted by this section, applies to a taxation year ending after 16 May 1989 and before 27 April 1990, it shall read as follows:

Tax payable
by certain
corporations
not resident
in Canada

“27. Any corporation not contemplated in section 22 and not resident in Canada that disposes in a taxation year of taxable Québec property shall pay a tax at the rate established in subsection 1 of section 771 and in sections 771.0.1 and 771.0.1.1 on the amounts described in paragraphs *d*, *e*, *f* and *h* of section 1089 that are applicable thereto and on the amount by which the aggregate of its taxable

capital gains exceeds the aggregate of its allowable capital losses from the disposition of such property.

Corporation
carrying on
business
outside
Québec

Where a corporation contemplated in section 22 has an establishment outside Québec, its tax payable is equal to the proportion of the tax established under subsection 1 of section 771 and sections 771.0.1 and 771.0.1.1 that the business it carries on in Québec is of the entire business it carries on in Québec and elsewhere, as determined under subsection 2 of section 771.”

c. I-3,
s. 230.0.0.2,
am.

2. (1) Section 230.0.0.2 of the said Act is amended

(1) by replacing the period at the end of subparagraph *b* of the second paragraph by a semicolon;

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

“(c) a payment to any of the entities described in subparagraphs *i* to *iii* of the said subparagraph *c*, to the extent that the payment may reasonably be considered to have been made to enable the entity to acquire rights in, or arising out of, scientific research and experimental development.”

(2) This section applies in respect of payments made after 26 April 1990, other than such a payment made before 1 January 1991 in respect of a scientific research and experimental development project the preparation of which had reached a sufficiently advanced stage on 26 April 1990.

c. I-3,
s. 316.4,
added

3. (1) The said Act is amended by inserting, after section 316.3, the following section:

Benefit
extended to
a share-
holder of a
business
investment
company

“**316.4** Where, in connection with a qualified investment, within the meaning of paragraph *d* of section 965.29, made after 26 April 1990 by a Québec business investment company, within the meaning of paragraph *f* of the said section, in respect of any project, a benefit is extended in a taxation year to an individual who is or is about to become a shareholder thereof, or to a person related to the individual, by a party to the qualified investment, other than the Québec business investment company, or by a third person with an interest in the project, the amount of the benefit shall be included in computing the individual’s income for the year.

Particular
rules

However, where the individual contemplated in the first paragraph is a trust governed by a registered retirement savings plan or a registered retirement income fund and the benefit is extended in the year to that individual, to the annuitant, within the meaning

of paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be, under the plan or the fund, or to any other person related to the annuitant, the amount of the benefit shall be included in computing the annuitant's income for the year."

(2) This section applies in respect of benefits extended after 26 April 1990.

c. I-3,
heading,
replaced

4. (1) The heading of Chapter III of Title VI of Book III of Part I of the said Act is replaced by the following heading:

"TUITION OR EXAMINATION FEES".

(2) This section has effect from 1 January 1990.

c. I-3,
s. 337.1,
added

5. (1) The said Act is amended by inserting, after section 337, the following section:

Examination
fees

"337.1 An individual, in computing his income for a taxation year, may also deduct the amount of his examination fees paid, in respect of the year, to a professional corporation mentioned in Schedule I to the Professional Code (R.S.Q., chapter C-26) where the examination is required to allow him to become a member of the corporation."

(2) This section applies from the taxation year 1990.

c. I-3,
s. 338,
am.

6. (1) Section 338 of the said Act, amended by section 156 of chapter 59 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Minimum
tuition and
examination
fees allow-
able

"338. The deduction provided for in section 337 or 337.1 in respect of an individual is allowable only if the aggregate of the tuition fees and the examination fees exceeds \$100; furthermore, if an amount for one of those purposes has been paid on behalf of the individual by his employer or by the employer of his father or mother, that individual may claim a deduction provided for in the said sections in respect of the said amount only up to the amount included for that purpose in computing his income or that of his father or mother, as the case may be."

(2) This section applies from the taxation year 1990.

c. I-3,
s. 354, am.

7. Section 354 of the said Act, amended by section 16 of chapter 7 of the statutes of 1990, is again amended by replacing subparagraph *i* of paragraph *a* by the following subparagraph:

“i. the aggregate of \$4 200 for the taxation year 1990 and \$4 400 from the taxation year 1991 per eligible child of the individual for the year who either is under seven years of age on 31 December in that year or would have been had he then been living, or is described in section 355.1, and in respect of whom the expenses were incurred, and of \$2 100 for the taxation year 1990 and \$2 200 from the taxation year 1991 for any other eligible child of the individual for the year in respect of whom the expenses were incurred; and”.

c. I-3,
s. 509.1,
added

8. (1) The said Act is amended by inserting, after section 509, the following section:

Application
of s. 506

“509.1 Section 506 does not apply in respect of a share redemption made pursuant to a request contemplated in subparagraph 4 of the first paragraph of section 10 of the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1).”

(2) This section applies in respect of share redemptions made after 18 October 1989.

c. I-3,
s. 519.1,
am.

9. (1) Section 519.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

Extension

“519.1 Notwithstanding section 518, where, in the opinion of the Minister, the circumstances of a case are such that it would be just and equitable to permit an election under the said section 518 to be made after the expiry of the three years contemplated in section 519, or to permit an election previously made under the said section 518 to be amended, the election or amended election, as the case may be, is deemed to have been made within the time provided in section 518 if it is made in prescribed form and is accompanied with the payment by the taxpayer of a penalty, estimated by him in accordance with section 519.2.”

(2) This section applies in respect of dispositions occurring after 31 December 1986.

c. I-3,
s. 519.2,
am.

10. (1) Section 519.2 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) 0.25 % of the amount by which, at the time of the disposition, the fair market value of the property in respect of which the election or amended election is made exceeds the amount agreed upon in the election or amended election, for each month or part thereof included

in the period commencing on the day on which the time provided in section 518 expires and ending on the day the election or amended election is actually made; and”.

(2) This section applies in respect of dispositions occurring after 31 December 1986.

c. I-3,
s. 527.1,
am.

11. (1) Section 527.1 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) sections 518, 521 to 526, 528, 529 and 614 to 617 do not apply in respect of the disposition;”.

(2) This section applies in respect of dispositions occurring after 31 December 1986.

c. I-3,
s. 726.4.1,
replaced

12. (1) Section 726.4.1 of the said Act is replaced by the following section:

Deductions
in respect
of a certi-
fied Québec
film

“**726.4.1** An individual may deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, the part or amount, deductible pursuant to the regulations under paragraph *a* of section 130, of the capital cost of a certified Québec film which he could have deducted, but for section 130.0.1, in computing his income for the year pursuant to paragraph *a* of the said section.

“certified
Québec
film”

In this title, the expression “certified Québec film” has the meaning assigned by the regulations under section 130.”

(2) This section applies from the taxation year 1990.

c. I-3,
s. 726.4.3,
am.

13. (1) Section 726.4.3 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) of his portion of the aggregate of amounts deducted by a partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing its income for a fiscal period in respect of a certified Québec film, to the extent that such portion would, but for section 600.0.1, have reduced his portion of the income of the partnership for that fiscal period as determined under paragraph *f* of section 600 or would, but for the said section 600.0.1, have caused such portion of income so determined to be nil; and

“(b) of his portion of the aggregate of amounts deducted by a partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing its loss for a fiscal period in respect of a certified Québec film, to the extent that such portion of such amounts

has either created or increased such portion of the loss, without exceeding the proportion of the at-risk amount of the individual in respect of the partnership at the end of the fiscal period of the partnership, within the meaning of sections 613.2 to 613.5, that such amounts which have either created or increased such portion of the loss are of the aggregate of all amounts which, but for section 600.0.1, would be his portion of the loss of the partnership for that fiscal period as determined under paragraph *g* of section 600.”

(2) This section applies from the taxation year 1990.

c. I-3,
s. 726.4.4,
am.

14. (1) Section 726.4.4 of the said Act is amended by replacing the first paragraph by the following paragraph:

Capital cost
allowance

“**726.4.4** An individual shall deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, the excess amount referred to in the first paragraph of section 130.1, which concerns a prescribed class including a certified Québec film, which he would have been bound to deduct in computing his income for the year pursuant to the second paragraph of section 130.1 but for the fourth paragraph of that section.”

(2) This section applies from the taxation year 1990.

c. I-3,
s. 726.4.6,
replaced

15. (1) Section 726.4.6 of the said Act is replaced by the following section:

Deduction
of excess
amount
where
individual
is first
purchaser

“**726.4.6** Subject to section 726.4.8, an individual who has acquired as first purchaser a certified Québec film may deduct, in computing his taxable income for a taxation year at the end of which he is the owner of the film and which film he has owned without interruption from the acquisition, an amount not exceeding the amount by which the amount obtained by applying the stated percentage, in respect of the film, to the aggregate of all amounts deducted by him in computing his taxable income for that year or a previous taxation year, in respect of the film, pursuant to section 726.4.1 or 726.4.4, exceeds any amount deducted under this section, in respect of the film, in computing his taxable income for a previous taxation year.”

(2) This section applies from the taxation year 1990.

c. I-3,
s. 726.4.7,
am.

16. (1) Section 726.4.7 of the said Act is amended by replacing the first paragraph by the following paragraph:

Deduction
of excess
amount
where
partnership
is first
purchaser

“**726.4.7** Subject to section 726.4.8, where an individual is a member of a partnership at the end of a particular fiscal period of the

partnership in which it acquired, as first purchaser, a certified Québec film, he may deduct, in computing his taxable income for a taxation year in which a fiscal period of the partnership ends and at the end of which period he is a member of the partnership and has been such a member, without interruption, from the end of the particular fiscal period, an amount not exceeding the amount by which his portion of the amount obtained by applying the stated percentage, in respect of the film, to the aggregate of the amounts deducted by the partnership in computing its income for that fiscal period or a previous fiscal period, in respect of the film, pursuant to paragraph *a* of section 130 or the second paragraph of section 130.1, exceeds any amount deducted by the individual under this section, in respect of the film, in computing his taxable income for a previous taxation year.”

(2) This section applies from the taxation year 1990.

c. I-3,
ss. 726.4.7.1-
726.4.7.4,
added

17. (1) The said Act is amended by inserting, after section 726.4.7, the following sections:

Stated
percentage
applicable
to an
individual

“**726.4.7.1** For the purposes of sections 726.4.6 and 726.4.7, the stated percentage applicable to an individual referred to therein, in respect of a certified Québec film, is

(a) 66 2/3 % in the case of any such film

i. described in section 726.4.7.2, or

ii. described in section 726.4.7.3 where the financial commitment of the individual or of the partnership of which he is a member, as the case may be, to the film is more than 55 % of the capital cost of the film to the individual or partnership, as the case may be;

(b) 33 1/3 % in the case of any such film described in section 726.4.7.3 where the financial commitment of the individual or of the partnership of which he is a member, as the case may be, to the film is more than 45 %, but not over 55 %, of the capital cost of the film to the individual or partnership, as the case may be;

(c) 0 % in the case of any other film described in section 726.4.7.3.

Admissible
certified
Québec
films

“**726.4.7.2** A certified Québec film is contemplated in subparagraph i of paragraph *a* of section 726.4.7.1 where the film is a motion picture film or video tape

(a) that was acquired before 1 January 1990 and the principal taping or photography thereof was commenced before that date or was completed not later than 1 March 1990;

(b) that was acquired after 31 December 1989 pursuant to an agreement in writing entered into by an individual or a partnership, as the case may be, not later than 18 December 1989 or in accordance with a final prospectus, preliminary prospectus or offering memorandum filed with the Commission des valeurs mobilières du Québec not later than 18 December 1989, to the extent that the total amount of funds so collected for the production of the film or tape does not exceed the amount stipulated in this regard in the agreement at the time it was entered into or in the final prospectus, preliminary prospectus or offering memorandum, as the case may be, at the time it was filed with the Commission des valeurs mobilières du Québec;

(c) that was acquired after 31 December 1989 but not later than 31 December 1990, where the following conditions are met:

i. the individual or partnership having acquired the film or tape has paid for it in full not later than 31 December 1990 and, as the case may be, all members of the partnership have done so with their acquired partnership interest or their additional contribution of capital to the partnership in respect of the film or tape;

ii. a favourable ruling, prior to the financing necessary for the production of the film or tape, has been obtained from the Société générale des industries culturelles to the effect that

(1) the film or tape is not a sponsored film, a sports, quiz, variety or public affairs programme, or an advertising, industrial or educational film,

(2) the film or tape is part of a series that includes other certified Québec films that have been acquired before 1 January 1990, and

(3) the film or tape is produced at a fixed cost or at a cost determined on the basis of a formula stipulated in a production option agreement entered into before 1 April 1990 by a licensed radio broadcaster or a genuine distributor of films or video tapes;

(d) the principal taping or photography of which was completed not later than 1 March 1991, which film or tape would be described in paragraph c if subparagraph ii thereof were read as follows:

“ii. the Société générale des industries culturelles has received, not later than 1 March 1990, an application for a ruling and the documents necessary to give such ruling and has given a favourable ruling to the effect that

(1) the film or tape is not a sponsored film, a sports, quiz, variety or public affairs programme, or an advertising, industrial or educational film, and

(2) the film or tape was at a substantially advanced stage on 18 December 1989;”.

Certified
Québec
films
subject to
the rule on
the level
of financial
commitment
Financial
commitment

“**726.4.7.3** A certified Québec film referred to in subparagraph ii of paragraph *a* of section 726.4.7.1 or in paragraph *b* or *c* of the said section is a certified Québec film that is not described in section 726.4.7.2.

“**726.4.7.4** For the purposes of section 726.4.7.1, the financial commitment of an individual or partnership, in this section referred to as an “investor”, to a certified Québec film means, subject to the second paragraph, the capital cost of the film to the investor.

Benefit or
advantage
reducing
the finan-
cial commit-
ment

Where, in respect of the film, a person or partnership has obtained, is entitled to obtain or can reasonably expect to obtain a benefit or advantage, whether by way of reimbursement, compensation, revenue guarantee or proceeds of disposition of a property exceeding the fair market value of the property, or in any other form or manner whatever, and it may reasonably be considered that the direct or indirect effect of such benefit or advantage is to compensate or indemnify the investor or, as the case may be, one of its members, or to otherwise benefit, in any manner whatever, the investor or, as the case may be, one of its members, the investor’s financial commitment to the film means the amount by which the capital cost of the film to the investor exceeds the amount of the benefit or advantage obtained by the person or partnership, or established or stated,

(*a*) where the investor is an individual, not later than on the closing date of the investment in respect of the financing necessary for the production of the film or, failing that, on the date on which the investor irrevocably acquired the film, or

(*b*) where the investor is a partnership, not later than the later of the date that would be determined in respect of the film under paragraph *a* if the investor were an individual and the dates on which, in respect of the film, an individual referred to in section 726.4.7 irrevocably acquired his partnership interest or made an additional contribution of capital to the partnership.”

(2) This section applies from the taxation year 1990.

c. I-3,
s. 726.4.8,
replaced

18. (1) Section 726.4.8 of the said Act is replaced by the following section:

Exceptions

“726.4.8 Notwithstanding sections 726.4.6 and 726.4.7, no amount may be deducted, in either of the following cases, in computing the taxable income of an individual, for a taxation year, in accordance with those sections in respect of a certified Québec film:

(a) where the individual was allowed a deduction, for the year or a preceding taxation year, in respect of the film under section 726.4.5;

(b) where the part or the amount of the capital cost of the film that was deductible for the year or a preceding taxation year, in accordance with the regulations under paragraph *a* of subsection 1 of section 20 of the Income Tax Act (Statutes of Canada), exceeded 30 % of that cost, computed without reference to any additional deduction based on the income from a film and granted in accordance with the latter regulations.”

(2) This section, where it enacts that part of section 726.4.8 of the Taxation Act preceding paragraph *a*, applies from the taxation year 1990, and where it enacts paragraphs *a* and *b* of the said section 726.4.8, it applies from the taxation year 1988.

c. I-3,
s. 726.4.10,
am.

19. Section 726.4.10 of the said Act, amended by section 22 of chapter 7 of the statutes of 1990 and section 255 of chapter 59 of the statutes of 1990, is again amended by replacing subparagraph *i* of paragraph *a* by the following subparagraph:

“*i.* the aggregate of the expenses, except those described in section 726.4.12, incurred in Québec by the individual after 30 June 1988 and before that time but not after 31 December 1991, and which are Canadian exploration expenses that would be described in paragraph *a* or *c* of section 395 if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec”, described in paragraph *d* of the said section 395 if the reference therein to “expenses described in paragraphs *a* to *b*.1, *c* and *c*.1” were replaced by a reference to “expenses that would be described in paragraph *a* or *c*, if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec””, or described in paragraph *e* of the said section 395 if the reference therein to “an expense described in paragraphs *a* to *c*.1” were replaced by a reference to “any expense that would be described in paragraph *a* or *c*, if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec””, exceeds”.

c. I-3,
s. 726.4.12,
am.

20. Section 726.4.12 of the said Act, amended by section 23 of chapter 7 of the statutes of 1990, is again amended

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

“(b) any amount relating to Canadian exploration expenses that is renounced by a corporation that is not a qualified corporation, effective after 30 June 1988 and not later than 31 December 1991, pursuant to section 359.2 in respect of a share;”;

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

“i. to expenses incurred after 30 June 1988 and before the time referred to in section 726.4.10 but not after 31 December 1991, by a partnership that is not a qualified partnership or by a qualified partnership in accordance with an agreement described in that paragraph *e* entered into with a corporation that is not a qualified corporation; or”.

c. I-3,
s. 726.4.17.2,
am. **21.** Section 726.4.17.2 of the said Act, enacted by section 26 of chapter 7 of the statutes of 1990 and amended by section 256 of chapter 59 of the statutes of 1990, is again amended by replacing paragraph *a* by the following paragraph:

“(a) the aggregate of the expenses, except those described in section 726.4.17.4, incurred in Québec by the individual after 31 December 1988 and before that time but not after 31 December 1991, and which are Canadian exploration expenses that would be described in paragraph *c* of section 395 if the reference therein to “Canada”, wherever it appears, were a reference to “Québec”, described in paragraph *d* of the said section 395 if the reference therein to “expenses described in paragraphs *a* to *b.1*, *c* and *c.1*” were replaced by a reference to “expenses that would be described in paragraph *c*, if the reference therein to “Canada”, wherever it appears, were a reference to “Québec””, or described in paragraph *e* of the said section 395 if the reference therein to “an expense described in paragraphs *a* to *c.1*” were replaced by a reference to “any expense that would be described in paragraph *c*, if the reference therein to “Canada”, wherever it appears, were a reference to “Québec””, except any of those expenses that are related to removing overburden and stripping, where such work is no longer needed to obtain indicators of mineralization or for the preliminary sampling thereof, or related to drilling and trenching or digging test pits, where such work constitutes underground exploration work, exceeds”.

c. I-3,
s. 726.4.17.4,
am. **22.** Section 726.4.17.4 of the said Act, enacted by section 26 of chapter 7 of the statutes of 1990, is amended

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

“(b) any amount relating to Canadian exploration expenses that is renounced by a corporation that is not a qualified corporation, effective after 31 December 1988 and not later than 31 December 1991, pursuant to section 359.2 in respect of a share;”;

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

“i. to expenses incurred after 31 December 1988 and before the time referred to in section 726.4.17.2 but not after 31 December 1991, by a partnership that is not a qualified partnership or by a qualified partnership in accordance with an agreement described in that paragraph e entered into with a corporation that is not a qualified corporation; or”.

c. 1-3,
s. 726.4.18,
am.

23. (1) Section 726.4.18 of the said Act, amended by section 27 of chapter 7 of the statutes of 1990, is again amended by replacing subparagraphs iv and v of subparagraph i.2 of the first paragraph by the following subparagraphs:

“iv. the value of the investments mentioned in subparagraph iii, as shown in its financial statements submitted to the shareholders for its last taxation year ended before that date or, where the corporation is in its first fiscal period, except in the case described in paragraph c of section 726.4.20.5, the value of such investments as shown, as the case may be, in its financial statements submitted to the shareholders at the beginning of its first fiscal period, consists almost exclusively of investments in one or several qualified corporations;

“v. it takes part in the administration of each corporation contemplated in subparagraph iv in which, as the case may be, it holds common shares with full voting rights of the capital stock;”.

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.20.5,
am.

24. (1) Section 726.4.20.5 of the said Act, enacted by section 32 of chapter 7 of the statutes of 1990, is amended by striking out paragraph a.

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.21,
am.

25. (1) Section 726.4.21 of the said Act, amended by section 33 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by the
issuer

“**726.4.21** Where a person has given consideration to an issuer for the issue of a research and development share of the issuer

referred to in subparagraph i of subparagraph c of the first paragraph of section 726.4.18 and the issuer has made expenditures in respect of scientific research and experimental development in accordance with his undertaking referred to in the said subparagraph i during the period referred to therein in respect of those expenditures, the issuer may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount he is deemed to have paid, under section 1029.7, in respect of such expenditures made by him during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts he has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. I-3,
s. 726.4.22,
am.

26. (1) Section 726.4.22 of the said Act, amended by section 34 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by desig-
nated corpo-
ration

“726.4.22 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph i or ii of subparagraph c of the first paragraph of section 726.4.18 and the designated corporation referred to therein has made expenditures in respect of scientific research and experimental development in accordance with its undertaking referred to in the said subparagraph i or ii during the period referred to therein in respect of those expenditures, the designated corporation may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount it is deemed to have paid, under section 1029.7, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. I-3,
s. 726.4.22.1,
am.

27. (1) Section 726.4.22.1 of the said Act, enacted by section 35 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by desig-
nated corpo-
ration

“726.4.22.1 Where a designated company has made a qualified investment in a designated corporation pursuant to an agreement referred to in subparagraph iii of subparagraph c of the first paragraph of section 726.4.18 and the designated corporation has made, in accordance with the agreement and out of the consideration it received in respect of the qualified investment, expenditures in respect of scientific research and experimental development during the period referred to in the said subparagraph iii in respect of those expenditures, the designated corporation may, in accordance with section 726.4.27, renounce, in respect of a research and development share referred to in the said subparagraph iii that is an interest share in the qualified investment, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in the third paragraph in respect of that investment, all or part of the amount it is deemed to have paid, under section 1029.7, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.22.2,
am.

28. (1) Section 726.4.22.2 of the said Act, enacted by section 35 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by qualified
corporation

“726.4.22.2 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph iv of subparagraph c of the first paragraph of section 726.4.18 and the qualified corporation referred to therein has made expenditures in respect of scientific research and experimental development in accordance with its undertaking referred to in the said subparagraph iv during the period referred to therein in respect of those expenditures, the qualified corporation may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount it is deemed to have paid, under section 1029.7, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.23,
am.

29. (1) Section 726.4.23 of the said Act, amended by section 36 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by issuer

“726.4.23 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph i of subparagraph c of the first paragraph of section 726.4.18 and the issuer has made expenditures in respect of scientific research and experimental development in accordance with his undertaking referred to in the said subparagraph i during the period referred to therein in respect of those expenditures, the issuer may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount he is deemed to have paid, under section 1029.8.6, in respect of such expenditures made by him during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts he has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.24,
am.

30. (1) Section 726.4.24 of the said Act, amended by section 37 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by desig-
nated corpo-
ration

“726.4.24 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph i or ii of subparagraph c of the first paragraph of section 726.4.18 and the designated corporation referred to therein has made expenditures in respect of scientific research and experimental development in accordance with its undertaking referred to in the said subparagraph i or ii during the period referred to therein in respect of those expenditures, the designated corporation may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount it is deemed to have paid, under section 1029.8.6, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.24.1,
am.

31. (1) Section 726.4.24.1 of the said Act, enacted by section 38 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by desig-
nated corpo-
ration

“726.4.24.1 Where a designated company has made a qualified investment in a designated corporation pursuant to an agreement referred to in subparagraph iii of subparagraph c of the first paragraph of section 726.4.18 and the designated corporation has made, in accordance with the agreement and out of the consideration it received in respect of the qualified investment, expenditures in respect of scientific research and experimental development during the period referred to in the said subparagraph iii in respect of those expenditures, the designated corporation may, in accordance with section 726.4.27, renounce, in respect of a research and development share referred to in the said subparagraph iii that is an interest share in the qualified investment, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in the third paragraph in respect of that investment, all or part of the amount it is deemed to have paid, under section 1029.8.6, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.24.2,
am.

32. (1) Section 726.4.24.2 of the said Act, enacted by section 38 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by qualified
corporation

“726.4.24.2 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph iv of subparagraph c of the first paragraph of section 726.4.18 and the qualified corporation referred to therein has made expenditures in respect of scientific research and experimental development in accordance with its undertaking referred to in the said subparagraph iv during the period referred to therein in respect of those expenditures, the qualified corporation may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount it is deemed to have paid, under section 1029.8.6, in respect of such expenditures made by the corporation during that

period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. I-3,
s. 726.4.25,
am.

33. (1) Section 726.4.25 of the said Act, amended by section 39 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by issuer

“726.4.25 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph i of subparagraph c of the first paragraph of section 726.4.18 and the issuer has made expenditures in respect of scientific research and experimental development in accordance with his undertaking referred to in the said subparagraph i during the period referred to therein in respect of those expenditures, the issuer may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount he is deemed to have paid, under section 1029.8.10, in respect of such expenditures made by him during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts he has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. I-3,
s. 726.4.26,
am.

34. (1) Section 726.4.26 of the said Act, amended by section 40 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by desig-
nated corpo-
ration

“726.4.26 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph i or ii of subparagraph c of the first paragraph of section 726.4.18 and the designated corporation referred to therein has made expenditures in respect of scientific research and experimental development in accordance with its undertaking referred to in the said subparagraph i or ii during the period referred to therein in respect of those expenditures, the designated corporation may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part

of the amount it is deemed to have paid, under section 1029.8.10, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.26.1,
am. **35.** (1) Section 726.4.26.1 of the said Act, enacted by section 41 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by desig-
nated corpo-
ration

“726.4.26.1 Where a designated company has made a qualified investment in a designated corporation pursuant to an agreement referred to in subparagraph iii of subparagraph *c* of the first paragraph of section 726.4.18 and, during the period referred to in the said subparagraph iii in respect of the qualified investment, the designated corporation has made, in accordance with the agreement and out of the consideration it received in respect of the qualified investment, expenditures in respect of scientific research and experimental development during the period referred to in the said subparagraph iii in respect of those expenditures, the designated corporation may, in accordance with section 726.4.27, renounce, in respect of a research and development share referred to in the said subparagraph iii that is an interest share in the qualified investment, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in the third paragraph in respect of that investment, all or part of the amount it is deemed to have paid, under section 1029.8.10, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. 1-3,
s. 726.4.26.2,
am. **36.** (1) Section 726.4.26.2 of the said Act, enacted by section 41 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Renuncia-
tion
by qualified
corporation

“726.4.26.2 Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph iv of subparagraph *c* of the first paragraph of section 726.4.18 and the qualified corporation referred to therein

has made expenditures in respect of scientific research and experimental development in accordance with its undertaking referred to in the said subparagraph iv during the period referred to therein in respect of those expenditures, the qualified corporation may, in accordance with section 726.4.27, renounce, in respect of the share, an amount equal to the amount by which that amount obtained by multiplying by the proportion determined in section 726.4.30 in respect of the issue as part of which the share is issued, all or part of the amount it is deemed to have paid, under section 1029.8.10, in respect of such expenditures made by the corporation during that period and on or before the day on which the renunciation is made, exceeds the aggregate of the amounts it has otherwise renounced, in respect of the share, under this section in respect of those expenditures on or before the day on which the renunciation is made.”

(2) This section has effect from 17 May 1989.

c. I-3,
s. 726.4.29,
am.

37. (1) Section 726.4.29 of the said Act, amended by section 43 of chapter 7 of the statutes of 1990, is again amended by replacing paragraph *a* by the following paragraph:

“(a) the corporation shall renounce, in accordance with section 726.4.27, in respect of each other share issued as part of the same share issue as the particular share or, where the particular share is an interest share, in respect of each other interest share in the qualified investment in which the particular share is an interest share, an amount equal to the amount by which the aggregate of the amounts it has renounced in respect of the particular share exceeds the aggregate of the amounts it has already renounced in respect of the other share or the other interest share, as the case may be;”.

(2) This section has effect from 17 May 1989.

c. I-3,
s. 726.4.32.1,
added

38. (1) The said Act is amended by inserting, after section 726.4.32, the following section:

Research
and
development
shares
owned by
an RRSP
or RRIF

“**726.4.32.1** Where a trust governed by a registered retirement savings plan or a registered retirement income fund, of the type commonly called self-directed, owns a research and development share at the time a qualified investment is made to which expenditures in respect of which a corporation has renounced an amount in respect of the share under section 726.4.22.1, 726.4.24.1 or 726.4.26.1 in accordance with section 726.4.27 relate, the annuitant, within the meaning of paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be, under the plan or fund at that time is deemed, for the purposes of the first paragraph of section 726.4.32 and section 726.4.33, to be the owner of the share at that time.”

(2) This section has effect from 20 December 1989.

c. I-3,
s. 726.4.35,
repealed

39. (1) Section 726.4.35 of the said Act is repealed.

(2) This section has effect from 13 May 1988.

c. I-3,
heading,
replaced

40. (1) The heading of Title VI.7 of Book IV of Part I of the said Act is replaced by the following heading:

“INDIVIDUAL RETROACTIVE PAYMENTS”.

(2) This section applies in respect of retroactive payments received after 31 December 1985.

c. I-3,
s. 726.24,
replaced

41. (1) Section 726.24 of the said Act is replaced by the following section:

Retroactive
disability
pension
payment

“**726.24** Where an individual receives, in a taxation year, an amount consisting, in whole or in part, of a retroactive disability pension payment under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or of a retroactive labour adjustment benefit payment under the Labour Adjustment Benefits Act (Statutes of Canada) which relates to a previous taxation year and, as a result thereof, he must repay all or part of an amount he has received under the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001), the Automobile Insurance Act (R.S.Q., chapter A-25) or the Act respecting income security (R.S.Q., chapter S-3.1.1), he may include, in computing his taxable income for that previous year, an amount not exceeding that part of the amount so received as such which may reasonably be considered to relate to that previous taxation year.”

(2) This section applies in respect of retroactive payments received after 31 December 1985. However, where section 726.24 of the Taxation Act, enacted by this section, applies before 1 August 1989, the reference therein to the “Act respecting income security (R.S.Q., chapter S-3.1.1)” shall read as a reference to the “Social Aid Act (R.S.Q., chapter A-16)”.

c. I-3,
s. 752, am.

42. (1) Section 752 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) 58 % of the amount by which the income for the year of the person contemplated in paragraph *a* exceeds \$5 530.”

(2) This section applies from the taxation year 1991.

c. 1-3,
s. 752.0.1,
am.

43. (1) Section 752.0.1 of the said Act, amended by section 60 of chapter 7 of the statutes of 1990, is again amended

(1) by replacing what precedes subparagraph *i* of paragraph *b* by the following:

Basic
credits

“752.0.1 An individual may deduct from his tax otherwise payable for a taxation year under this Part 20 % of an amount of \$5 530, plus 20 % of the aggregate of the following amounts:

(*a*) \$5 530 for a person who is his spouse if he supports that person for that year;

(*b*) \$2 440 for a person”;

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

“(c) \$2 110 for each person described in paragraph *b* in respect of whom the individual does not make any deduction under the said paragraph *b*;

“(d) for each person described in paragraph *b*, \$1 545 in respect of each completed term, without exceeding two, which began in the year and during which the person was in full-time attendance at an educational institution contemplated in subparagraph *i* or *iv* of paragraph *a* of section 337 or in paragraph *b* or *c* of the said section, where he was enrolled in a prescribed post-secondary educational program and was not a prescribed tax-exempt person;”;

(3) by replacing that part of paragraph *e* preceding subparagraph *i* by the following:

“(e) \$1 220 for a person in respect of whom the individual is entitled to a deduction under paragraph *b*, if he is not entitled to the deduction contemplated in paragraph *a* and, during the year,”;

(4) by replacing that part of paragraph *f* preceding subparagraph *i* by the following:

“(f) \$2 110 for each person”;

(5) by replacing paragraphs *g* and *h* by the following paragraphs:

“(g) \$5 530 for each person described in paragraph *f* who, during the year, is dependent on the individual by reason of mental or physical infirmity and in respect of whom the individual makes no deduction under the said paragraph *f*;

“(h) \$985, if the individual is not entitled to the deduction contemplated in paragraph a, if he ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by him and in which no person other than the individual or a person described in paragraph b lives during the year and if he files with the Minister a prescribed document, or, where he is unable to file such a document, a prescribed form, on or before the day on or before which he is required to file his fiscal return with the Minister under section 1000 for the year;”.

(2) Paragraphs 1 to 4 and paragraph 5, where it enacts paragraph g of section 752.0.1 of the Taxation Act, apply from the taxation year 1991.

(3) Paragraph 5, where it enacts paragraph h of section 752.0.1 of the Taxation Act, applies from the taxation year 1990. However, where it replaces the amount “\$940” by the amount “\$985” in the said paragraph h, it applies from the taxation year 1991.

c. 1-3,
s. 752.0.11.1,
am.

44. (1) Section 752.0.11.1 of the said Act, enacted by section 289 of chapter 59 of the statutes of 1990, is amended by replacing paragraph e of the French text by the following paragraph:

“(e) pour des analyses de laboratoire, des examens radiologiques ou pour l’application d’autres méthodes de diagnostic ainsi que pour les interprétations qui en découlent, si ces analyses, examens et autres méthodes sont effectués pour une personne sur ordonnance prescrite par un praticien ou un dentiste et si leur but est de conserver la santé, de prévenir une maladie ou de faciliter le diagnostic ou le traitement d’une blessure, maladie ou invalidité;”.

(2) This section applies from the taxation year 1988.

c. 1-3,
s. 752.0.20,
replaced

45. Section 752.0.20 of the said Act, amended by section 62 of chapter 7 of the statutes of 1990, is replaced by the following section:

Annual
indexing

“**752.0.20** The following amounts must be indexed annually so that each of these amounts to be used for a taxation year subsequent to the taxation year 1991 becomes that obtained by adding to that amount the amount obtained by multiplying, by the prescribed ratio for that year, the amount that would have been applicable for that year but for this section:

(a) the amounts of \$985, \$1 220, \$1 545, \$2 110, \$2 440 and \$5 530 referred to in section 752.0.1;

(b) the amount of \$5 530 referred to in paragraph b of section 752.”

c. I-3,
s. 771, am.

46. (1) Section 771 of the said Act, amended by section 67 of chapter 7 of the statutes of 1990, is again amended by replacing that part of paragraph *e* of subsection 1 preceding subparagraph *i* by the following:

“(e) notwithstanding paragraph *d.1*, in the case of a corporation contemplated in paragraph *b*, for the taxation year for which it is an eligible corporation within the meaning of sections 771.5 to 771.7, to the aggregate of 3.45 % 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 13 % of the remaining portion of its taxable income for the year exceeds the aggregate of”.

(2) This section applies to taxation years ending after 26 April 1990.

c. I-3,
s. 771.0.1.1,
am.

47. Section 771.0.1.1 of the said Act, enacted by section 69 of chapter 7 of the statutes of 1990, is amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

Additional
tax payable

“**771.0.1.1** A corporation shall add to its tax payable under subsection 1 of section 771 for a taxation year ending after 16 May 1989 but before 27 April 1990 an amount equal to”.

c. I-3,
s. 771.0.1.2,
added

48. The said Act is amended by inserting, after section 771.0.1.1, the following section:

Additional
tax payable

“**771.0.1.2** A corporation shall add to its tax payable under subsection 1 of section 771 for a taxation year ending after 26 April 1990 an amount equal to

(a) 15 % of that tax, where it is computed under paragraph *a* or *d.1* of the said subsection;

(b) 15 % of the portion of that tax which is not attributable to the portion of its taxable income for the year equal to the amount determined in respect of the corporation for the year under section 771.9, where that tax is computed under paragraph *e* of the said subsection.

Taxation
year
including
26 April
1990

Notwithstanding the foregoing, if the taxation year includes 26 April 1990, the amount to be added under this section is equal to the aggregate of

(a) such proportion of the amount that would be added under the first paragraph of section 771.0.1.1 if that section applied to that taxation year as the number of days in the year preceding 27 April 1990 is of the number of days in the year; and

(b) such proportion of the amount that would otherwise be added under the first paragraph as the number of days in the year following 26 April 1990 is of the number of days in the year.”

c. I-3,
s. 771.3,
replaced

49. (1) Section 771.3 of the said Act is replaced by the following section:

Income
from
property or
specified
investment
business

“771.3 Where an amount is paid or becomes payable to a particular corporation by another corporation with which it is associated in any particular taxation year and where the particular corporation must otherwise include that amount in computing its income for the particular year from any property or specified investment business, the rules set forth in section 771.4 apply for the purposes of section 771.1.1.”

(2) This section applies from the taxation year 1989.

c. I-3,
s. 771.6,
am.

50. (1) Section 771.6 of the said Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) was associated with any other corporation;”.

(2) This section applies in respect of corporations whose first taxation year ends after 26 April 1990.

c. I-3,
s. 776.33,
am.

51. (1) Section 776.33 of the said Act, amended by section 71 of chapter 7 of the statutes of 1990, is again amended by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) \$750 in respect of the individual contemplated therein;

“(b) \$510 in respect of the individual’s spouse during the year;

“(c) \$240 in respect of not more than one dependent person of the individual during the year if the individual has no spouse during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person, other than the individual or his dependent person, lives during the year.”

(2) This section applies from the taxation year 1991.

c. I-3,
s. 776.34,
am.

52. (1) Section 776.34 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the amount by which the excess amount of the income for the year of the dependent person of the individual during the year

contemplated in the first paragraph of section 776.32, over any amount received by the person in the year as social assistance payment based on an examination of means, needs or income, exceeds \$5 530.”

(2) This section applies from the taxation 1988. However, where paragraph *b* of section 776.34 of the Taxation Act, enacted by this section, applies to the taxation year 1988, the reference therein to the word “person”, wherever it appears, shall read as a reference to the word “child”, and where this section replaces the amount “\$5 280”, in the said paragraph *b*, by the amount “\$5 530”, it applies from the taxation year 1991.

c. I-3,
s. 776.35,
am.

53. (1) Section 776.35 of the said Act, amended by section 72 of chapter 7 of the statutes of 1990, is again amended by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) \$7 570 where the individual referred to in section 776.32 has a spouse during the year;

“(b) \$6 560 where the individual has no spouse during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person, other than the individual or his dependent person, lives during the year; or

“(c) \$5 455 in other cases.”

(2) This section applies from the taxation year 1991.

c. I-3,
s. 776.41,
am.

54. Section 776.41 of the said Act, amended by section 74 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Annual
indexing

“**776.41** The following amounts must be indexed annually so that each of these amounts to be used for a taxation year subsequent to the taxation year 1991 becomes that obtained by adding to that amount the amount obtained by multiplying by the same ratio as that prescribed for the purposes of section 752.0.20 for that year the amount that would have been applicable for that year but for this section:

(a) the amounts of \$750, \$510 and \$240 mentioned in section 776.33;

(b) the amount of \$5 530 mentioned in section 776.34;

(c) the amounts of \$7 570, \$6 560 and \$5 455 mentioned in section 776.35.”

c. I-3,
s. 944.2,
am.

55. (1) Section 944.2 of the said Act, enacted by section 81 of chapter 7 of the statutes of 1990, is amended

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

Revocation
prohibited

“944.2 Notwithstanding section 944, in no case may a plan be revoked following a payment made to a beneficiary under the plan where the following conditions are met:

(a) the payment is made between 16 May 1989 and 1 January 1991;”;

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

“(c) the beneficiary uses the whole payment to buy, after 16 May 1989 but before 1 January 1990, new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) for a residential dwelling-house, that is delivered to him not later than 28 February 1990, that is used by him for his use in Canada and, where the payment is made to him after 31 December 1989, that is paid not later than 31 December 1990.”

(2) This section has effect from 17 May 1989.

c. I-3,
s. 944.3,
added

56. (1) The said Act is amended by inserting, after section 944.2, the following section:

Revocation
prohibited

“944.3 Notwithstanding section 944, in no case may a plan be revoked following a payment made to a beneficiary under the plan if the following conditions are met:

(a) the payment is made between 31 December 1989 and 1 January 1991;

(b) the beneficiary was such on 31 December 1989;

(c) the beneficiary uses the whole payment to buy, after 31 December 1989 but before 1 January 1991, new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) for a residential dwelling-house, that is delivered to him not later than 28 February 1991, paid not later than 1 July 1991 and used by him for his use in Canada.”

(2) This section has effect from 1 January 1990.

c. I-3,
s. 946,
replaced

57. (1) Section 946 of the said Act, replaced by section 82 of chapter 7 of the statutes of 1990, is again replaced by the following section:

Plan re-
voked
after
19 April
1983

“946. Where the registration of a plan is revoked after 19 April 1983, the beneficiary is deemed to have received at that time out of or under a registered home ownership savings plan an amount equal to the fair market value of the property of the plan and section 955 applies to the amount notwithstanding paragraphs *a* to *h* of the said section.”

(2) This section has effect from 1 January 1990.

c. I-3,
s. 955, am.

58. (1) Section 955 of the said Act, amended by section 83 of chapter 7 of the statutes of 1990, is again amended

(1) by striking out the word “or” at the end of paragraph *c*;

(2) by replacing paragraphs *e* and *f* by the following paragraphs:

“(e) if he is a beneficiary under the plan on 16 May 1989, is a payment made to him after that date but before 1 January 1991 and used or that will be used by him after 16 May 1989 but before 1 January 1990 in relation with the acquisition, for his use in Canada, of new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) for a residential dwelling-house, that is delivered to him not later than 28 February 1990, that is paid not later than 31 December 1990 where the payment is made to him after 31 December 1989, and the acquisition of which he proves by attaching to his fiscal return for the year a copy of the invoice;

“(f) if the spouse of a beneficiary receives a single payment after 16 May 1989 but before 1 January 1991 as a beneficiary under section 960, is a payment used by the spouse or that will be used by the spouse after 16 May 1989 but before 1 January 1990 in relation with the acquisition, for his use in Canada, of new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) for a residential dwelling-house, that is delivered to him not later than 28 February 1990, that is paid not later than 31 December 1990 where the single payment is made to him after 31 December 1989, and the acquisition of which he proves by attaching to his fiscal return for the year a copy of the invoice;”;

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

“(g) if he is a beneficiary under the plan on 31 December 1989, is a payment made to him after that date but before 1 January 1991 and used or that will be used by him after 31 December 1989 but before 1 January 1991 in relation with the acquisition, for his use in Canada, of new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) for a residential dwelling-house, that is delivered to him not later than 28 February 1991, that is paid not later than 1 July 1991 and the acquisition of which he proves by attaching to his fiscal return for the year a copy of the invoice;

“(h) if the spouse of a beneficiary receives a single payment after 31 December 1989 but before 1 January 1991 as a beneficiary under section 960, is a payment used by the spouse or that will be used by the spouse after 31 December 1989 but before 1 January 1991 in relation with the acquisition, for his use in Canada, of new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) for a residential dwelling-house, that is delivered to him not later than 28 February 1991, that is paid not later than 1 July 1991 and the acquisition of which he proves by attaching to his fiscal return for the year a copy of the invoice.”

(2) Paragraphs 1 and 2 of subsection 1 have effect from 17 May 1989 and paragraph 3 of the said subsection has effect from 1 January 1990.

c. I-3,
s. 961.1.4.1,
added

59. The said Act is amended by inserting, after section 961.1.4, the following section:

“furniture”

“961.1.4.1 For the purposes of paragraph *c* of section 944.3 and paragraphs *g* and *h* of section 955, where, by reason of the amendments made to the Retail Sales Tax Act (R.S.Q., chapter I-1) by chapter 60 of the statutes of 1990, the regulations made under subparagraph *a* of the first paragraph of section 31 of the said Act no longer provide for the definition of the word “furniture” in respect of a purchase of new furniture by an individual, the said word has the meaning assigned by the regulations as they read immediately before the amendments.”

c. I-3,
s. 965.6.0.3,
am.

60. (1) Section 965.6.0.3 of the said Act, amended by section 91 of chapter 7 of the statutes of 1990, is again amended by replacing paragraph *b* by the following paragraph:

“(b) where it is so stipulated in the final prospectus or in the application for an exemption from filing a prospectus relating to its

issue, the percentage determined not later than 60 days after the year of its issue and obtained by estimating, as a percentage, such proportion as is represented,

i. in respect of an investment fund that has agreed to meet the requirements set out in section 965.6.23, by the ratio between the adjusted cost of the aggregate of all qualifying shares purchased in that year by the investment fund with the proceeds of the issue of valid qualifying securities issued in the year or acquired in the year by the investment fund, as a result of the exercise of the conversion right conferred on the holder of a convertible security purchased in the year by the investment fund with the proceeds of the issue and held on 31 December in that year by the investment fund, and the proceeds of the issue;

ii. in respect of an investment fund that has agreed to meet the requirements set out in section 965.6.23.1, by the ratio between the aggregate of the adjusted cost of the aggregate of all qualifying shares that are the subject of the undertaking given by the investment fund in accordance with paragraph *a* of the said section and that may be acquired for an amount equal to the particular amount referred to in paragraph *b* of the said section in respect of the year, and the adjusted cost of the aggregate of qualifying shares not subject of the undertaking held by the investment fund on 31 December in that year and purchased by it in that year with that portion of the proceeds of the issue of valid qualifying securities issued in the year in excess of the particular amount or acquired by it in that year as a result of the exercise of the conversion right conferred on the holder of a convertible security purchased by the investment fund in that year with that portion of the proceeds of the issue in excess of the particular amount, and the proceeds of the issue.”

(2) This section has effect from 27 April 1990.

c. I-3,
s. 965.6.0.4,
added

61. (1) The said Act is amended by inserting, after section 965.6.0.3, the following section:

Presumption

“965.6.0.4 Where an investment fund has made the election provided in section 965.6.23.1 in respect of its first public security issue consisting of securities that may be included in a stock savings plan, a qualifying share described in paragraph *a* of the said section that is acquired by the investment fund in a particular year with the proceeds of the issue for the particular year or as a result of the exercise of the conversion rights conferred on the holder of a convertible security purchased in the particular year by the investment fund with the proceeds of the issue, shall, in respect of the particular year, be considered, for the purposes of subparagraph

ii of paragraph *b* of section 965.6.0.3 and paragraph *b* of section 965.6.23.1, to be a qualifying share that is the subject of the undertaking given by the investment fund in accordance with the said paragraph *a*, unless the investment fund designates it as not being the subject of the undertaking, and, for that purpose, such a designation cannot be made by the investment fund in respect of a qualifying share except where that qualifying share, the other qualifying shares so designated by the investment fund for the particular year and the qualifying shares that are not described in the said paragraph *a* and that have been acquired in the particular year by the investment fund with the proceeds of the issue or as a result of the exercise of a right of conversion conferred on the holder of a convertible security purchased by the investment fund in the particular year with the proceeds of the issue, may all be considered to have been acquired with that portion of the proceeds of the issue in excess of the amount referred to in paragraph *b* of section 965.6.23.1 in respect of the particular year.

Limitation The presumption provided in the first paragraph applies in respect of a qualifying share only where the cost of the aggregate of the other qualifying shares in respect of which the presumption has applied for the particular year is lower than the particular amount referred to in paragraph *b* of section 965.6.23.1 in respect of the particular year.”

(2) This section has effect from 27 April 1990.

c. 1-3,
s. 965.6.23.1,
added **62.** (1) The said Act is amended by inserting, after section 965.6.23, the following section:

Undertaking
by an
investment
fund **“965.6.23.1** An investment fund that makes, in any particular year, a public security issue consisting of securities that may be included in a stock savings plan and is, since its creation, at its first such public security issue may, instead of stipulating in the final prospectus or in the application for an exemption from filing a prospectus relating to their issue that it undertakes to meet the requirements set out in section 965.6.23, elect to stipulate therein that it undertakes to meet the following requirements:

(a) to use a determined percentage, not lower than 50 %, of the proceeds, for the particular year, of the issue of securities not redeemed by the investment fund on or before 31 December in the particular year, to acquire, on or before 31 December in the year following the particular year, qualifying shares that are issued by developing corporations and are common shares with full voting rights or preferred shares convertible solely into such common shares with full voting rights;

(b) to be the owner, on 31 December in the particular year, of qualifying shares that are not the subject of the undertaking under paragraph *a*, that are acquired by the investment fund during the particular year with the proceeds, for the particular year, of the public security issue or as a result of the exercise of a right of conversion conferred on the holder of a convertible security purchased in the particular year by the investment fund with the proceeds of the issue, other than qualifying shares having already been used, in respect of the particular year, for the purposes of paragraph *c*, and whose adjusted cost is not less than the amount by which the adjusted cost of the aggregate of all qualifying securities issued by the investment fund during the particular year and consisting of valid qualifying securities exceeds the particular amount equal to the lesser of the proceeds of the security issue consisting, for the particular year, of valid qualifying securities and the portion to be the subject of the undertaking under paragraph *a* of the proceeds, for the particular year, of the public security issue;

(c) to be the owner, on 31 December in the year following the particular year, of qualifying shares described in paragraph *a* that are acquired by the investment fund in the particular year or in the year following the particular year with the proceeds, for the particular year, of the public security issue or as a result of the exercise of a right of conversion conferred on the holder of a convertible security purchased in the particular year or in the year following the particular year by the investment fund with the proceeds of the issue, other than any such qualifying shares having already been used, in respect of the particular year, for the purposes of paragraph *b*, and whose adjusted cost is not less than the particular amount referred to in paragraph *b* in respect of the particular year;

(d) to be the owner, on 31 December in the particular year and in each of the ensuing two years, of shares that are qualifying shares or valid shares, other than qualifying shares or valid shares having already been used, in respect of the same year, for the purposes of paragraph *e* or of this paragraph or a qualifying share referred to in section 965.6.0.4 in respect of the year, and whose adjusted cost is not less than the amount by which the adjusted cost of the aggregate of all qualifying securities issued in the particular year by the investment fund and not redeemed by the investment fund on 31 December in the particular year, 31 December in the first year following the particular year or 31 December in the second year following the particular year, respectively, as the case may be, exceeds the particular amount referred to in paragraph *b* in respect of the particular year;

(e) to be the owner, on 31 December in each of the three years following the particular year, of shares that are qualifying shares or valid shares, other than qualifying shares or valid shares having already been used, in respect of the same year, for the purposes of this paragraph or a qualifying share referred to in section 965.6.0.4 in respect of the year, and whose adjusted cost is not less than the particular amount referred to in paragraph *b* in respect of the particular year.”

(2) This section applies in respect of securities of an investment fund issued after 26 April 1990.

c. 1-3,
s. 965.9.8,
am.

63. (1) Section 965.9.8 of the said Act, amended by section 107 of chapter 7 of the statutes of 1990, is again amended by inserting, after paragraph *a*, the following paragraph:

“(a.1) where issued by an investment fund that, in respect of its first public security issue consisting of securities that may be included in a stock savings plan, has made the election provided in section 965.6.23.1, it is a security issued as part of that first public security issue;”.

(2) This section has effect from 27 April 1990.

c. 1-3,
s. 965.23.1,
added

64. (1) The said Act is amended by inserting, after section 965.23, the following section:

Splitting or
replacement
of a share
owned by an
investment
fund

“**965.23.1** In the case of the splitting or replacement, without any consideration other than a share, following a transaction occurring after 31 December 1987 and described either in section 301 in respect of a preferred share contemplated in subparagraph *a* of the first paragraph of section 965.9 or subparagraph *c* of the first paragraph of section 965.9.1 or in section 536, 541 or 544 in respect of a qualifying share, of a qualifying share owned by an investment fund, the following rules apply:

(a) each new share so issued is deemed to be a qualifying share acquired by the investment fund at the same time and with the same funds as the split or replaced share;

(b) the adjusted cost of the split or replaced share or of each new share issued is equal to the adjusted cost of the split or replaced share determined immediately before the splitting or replacement, divided by the number of shares resulting from the splitting or replacement.”

(2) This section has effect from 1 January 1988.

c. I-3,
s. 965.31.4,
added

65. (1) The said Act is amended by inserting, after section 965.31.3, the following section:

Share
owned
by a trust
governed by
an RRSP or
RRIF

“965.31.4 For the purposes of this title, where, at any time, a trust governed by a registered retirement savings plan or a registered retirement income fund, of the type commonly called self-directed, holds as actual owner a common share with full voting rights of the capital stock of a Québec business investment company, the following rules apply:

(a) the annuitant, within the meaning of paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be, under the plan or fund at that time is deemed to be the shareholder holding the share at that time as the actual owner thereof and the trust is deemed not to be that shareholder;

(b) the cost of the share referred to in section 965.31.2 to the annuitant referred to in paragraph *a* is deemed to be the same as the cost thereof to the trust;

(c) loans and advances due to the trust at that time by the Québec business investment company are deemed to be due at that time by the latter to the annuitant referred to in paragraph *a* and not to the trust;

(d) investments referred to in section 965.34 of the trust in the Québec business investment company are deemed to be investments of the annuitant referred to in paragraph *a* and not those of the trust.”

(2) This section applies from the taxation year 1986.

c. I-3,
s. 965.40,
am.

66. (1) Section 965.40 of the said Act, enacted by section 143 of chapter 7 of the statutes of 1990, is amended

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

“permanent
share”

“(c) “permanent share” means a share meeting the requirements of sections 73 to 80 of the Savings and Credit Unions Act, issued by a savings and credit union whose receipt for the final prospectus or exemption from filing a prospectus related thereto is granted after 16 May 1989, and acquired before 1 March 1992 for money consideration within the scope of a credit union permanent share savings plan by an individual as first purchaser, other than a dealer acting as an intermediary or firm underwriter;”;

(2) by replacing that part of paragraph *d* preceding subparagraph *i* by the following:

“qualifying permanent share” (d) “qualifying permanent share” in respect of a year means a permanent share acquired in the year by an individual and held by him until the earliest of the following dates:”;

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

“credit union permanent share savings plan” (e) “credit union permanent share savings plan” means an arrangement under which an individual acquires, on or before 29 February 1992, a permanent share;”.

(2) Paragraph 2 of subsection 1 has effect from 17 May 1989.

c. 1-3, ss. 965.45, 965.46, replaced **67.** Sections 965.45 and 965.46 of the said Act, enacted by section 143 of chapter 7 of the statutes of 1990, are replaced by the following sections:

Option **“965.45** For the purposes of this title, except section 965.46 and paragraphs *c* and *e* of section 965.40, where an individual purchases a permanent share during the period extending

(a) from 1 January 1990 to 1 March 1990, he may elect to regard the acquisition of the permanent share as having been made in 1989 and, where such an election is made, that permanent share is deemed not to have been acquired in 1990;

(b) from 1 January 1991 to 1 March 1991, he may elect to regard the acquisition of the permanent share as having been made in 1990 and, where such an election is made, that permanent share is deemed not to have been acquired in 1991;

(c) from 1 January 1992 to 29 February 1992, he is deemed to have acquired the permanent share in 1991 and that permanent share is deemed not to have been acquired in 1992.

Presumed holder **“965.46** For the purposes of this title, where an individual purchases a permanent share during the period extending

(a) from 1 January 1990 to 1 March 1990, he is deemed to hold the permanent share on 31 December 1989;

(b) from 1 January 1991 to 1 March 1991, he is deemed to hold the permanent share on 31 December 1990;

(c) from 1 January 1992 to 29 February 1992, he is deemed to hold the permanent share on 31 December 1991.”

c. I-3,
s. 965.48,
replaced

68. (1) Section 965.48 of the said Act, enacted by section 143 of chapter 7 of the statutes of 1990, is replaced by the following section:

Maximum
amount

“965.48 In no case may the amount of the deduction under section 965.47 for a taxation year in respect of an individual exceed the lesser of \$2 000 and the amount by which \$5 000 exceeds the aggregate of the amounts deducted by him under the said section in respect of previous years.”

(2) This section applies to the taxation years 1990 and 1991.

c. I-3,
s. 965.51,
replaced

69. Section 965.51 of the said Act, enacted by section 143 of chapter 7 of the statutes of 1990, is replaced by the following section:

Time of
acquisition

“965.51 For the purposes of sections 965.49 and 965.50, a permanent share, other than a permanent share in respect of which the individual has made an election under paragraph *a* or *b* of section 965.45, acquired by an individual during the period extending

(*a*) from 1 January 1990 to 1 March 1990 is deemed to have been acquired by the individual in 1989;

(*b*) from 1 January 1991 to 1 March 1991 is deemed to have been acquired by the individual in 1990.”

c. I-3,
s. 965.53,
am.

70. Section 965.53 of the said Act, enacted by section 143 of chapter 7 of the statutes of 1990, is amended by replacing paragraphs *b* and *c* by the following paragraphs:

“(b) for the period extending from 2 March 1990 to 1 March 1991, the amount by which \$150 000 000 exceeds the total amount of permanent share issues distributed by all credit unions before 2 March 1990;

“(c) for the period extending from 2 March 1991 to 29 February 1992, the amount by which \$250 000 000 exceeds the total amount of permanent share issues distributed by all credit unions before 2 March 1991.”

c. I-3,
s. 1005,
replaced

71. (1) Section 1005 of the said Act is replaced by the following section:

Examination
and assess-
ment by
Minister

“1005. The Minister shall, with dispatch, examine a taxpayer’s fiscal return sent to him for a taxation year and assess his payable tax for the year, the interest and penalties, if any, which are exigible and any amount deemed to have been paid under sections 776.5.1, 1029.7,

1029.8, 1029.8.0.2, 1029.8.6, 1029.8.7, 1029.8.7.2, 1029.8.10, 1029.8.11, 1029.8.25, 1029.9 and 1029.11 as partial payment of his tax payable for the year pursuant to this Part.”

(2) This section applies from the taxation year 1990.

c. I-3,
s. 1012.1,
am.

72. (1) Section 1012.1 of the said Act, amended by section 342 of chapter 59 of the statutes of 1990, is again amended by replacing paragraph *b.2* by the following paragraph:

“(b.2) section 726.24 in respect of a retroactive disability pension payment or a retroactive labour adjustment benefit payment received in a subsequent taxation year;”.

(2) This section has effect from 1 January 1986.

c. I-3,
s. 1015, am.

73. Section 1015 of the said Act is amended by replacing what follows paragraph *r* by the following:

“shall, even if such payment results from a judgment, deduct or withhold therefrom the prescribed amount and pay to the Minister, on the dates, for the periods and according to the terms and conditions prescribed, an amount equal to the deducted or withheld amount on account of the tax payable by the payee for the same taxation year or, in the case of an amount contemplated in paragraph *p* and paid to a payee who carries on a business as market-maker, for the taxation year in which the fiscal period of his business during which the payment is made and the year with which the fiscal period coincides, ends.”

c. I-3,
s. 1027, am.

74. (1) Section 1027 of the said Act, amended by section 146 of chapter 7 of the statutes of 1990, is again amended by replacing subparagraphs *i* and *ii* of subparagraph *a* of the first paragraph by the following subparagraphs:

“*i.* on or before the last day of each month of the current taxation year an amount equal to 115 % of 1/12 of its tax for the year estimated in accordance with section 1004, computed without reference to sections 771.0.1.1 and 771.0.1.2, or of its first basic provisional account, established in the prescribed manner, for the year; or

“*ii.* on or before the last day of each of the first two months of the current taxation year, an amount equal to 115 % of 1/12 of its second basic provisional account, established in the prescribed manner, for the year and, on or before the last day of each of the following months of the year, an amount equal to 115 % of 1/10 of the excess of its first basic provisional account contemplated in

subparagraph i over the amount computed in respect of the first two months of the year; and”.

(2) This section applies in respect of any payment to be made by a corporation for a taxation year ending after 26 April 1990. However, where subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 of the Taxation Act, enacted by this section, apply for the computation of the payment to be made by a corporation before 26 April 1990 for such a taxation year, the reference to “115 %”, wherever it appears in the said subparagraphs, shall read as a reference to “112 %”.

c. I-3,
s. 1029.2,
am.

75. (1) Section 1029.2 of the said Act, amended by section 147 of chapter 7 of the statutes of 1990, is again amended by replacing subparagraph i of paragraph *a* by the following subparagraph:

“i. such proportion of 3.45 % of the amount by which such loss exceeds the portion of the loss it deducted in computing its taxable income for each of the three preceding years, as is represented by the ratio between its business carried on in Québec during the particular year and the aggregate of its business carried on in Québec and elsewhere during the latter year as established under subsection 2 of section 771; and”.

(2) This section applies, subject to subsection 3, to a particular taxation year ending after 26 April 1990.

(3) If the particular taxation year includes 26 April 1990, the amount which, but for this subsection, would be determined for the year under subparagraph i of paragraph *a* of section 1029.2 of the Taxation Act, enacted by this section, shall be reduced to the aggregate of

(*a*) such proportion of the amount which, but for this section, would be determined for the year under subparagraph i of paragraph *a* of section 1029.2 of the Taxation Act, as is represented by the ratio between the number of days in the year and the number of days in the year preceding 27 April 1990; and

(*b*) such proportion of the amount which, but for this paragraph, would be determined for the year under subparagraph i of paragraph *a* of section 1029.2 of the Taxation Act, enacted by this section, as is represented by the ratio between the number of days in the year and the number of days in the year after 26 April 1990.

c. I-3,
s. 1029.7,
am.

76. (1) Section 1029.7 of the said Act, amended by section 148 of chapter 7 of the statutes of 1990, is again amended

(1) by replacing the period at the end of subparagraph *b* of the third paragraph by a semicolon;

(2) by adding, after subparagraph *v* of subparagraph *b* of the third paragraph, the following subparagraph:

“vi. an expenditure specified by the taxpayer for the purposes of clause A of subparagraph ii of paragraph *a* of subsection 2 of section 194 of the Income Tax Act (Statutes of Canada), where the taxpayer is a corporation.”

(2) This section applies in respect of expenditures made for scientific research and experimental development after 16 May 1989.

c. I-3,
s. 1029.8.5.1,
am.

77. (1) Section 1029.8.5.1 of the said Act, enacted by section 156 of chapter 7 of the statutes of 1990, is amended

(1) by replacing the period at the end of paragraph *i* by a semicolon;

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

“(j) an expenditure specified by a corporation for the purposes of clause A of subparagraph ii of paragraph *a* of subsection 2 of section 194 of the Income Tax Act (Statutes of Canada).”

(2) This section applies in respect of expenditures made for scientific research and experimental development after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

(a) the elaboration of which was complete on 17 May 1989 and for which expenditures for scientific research and experimental development were made before that date, or

(b) the elaboration of which was sufficiently well advanced on 17 May 1989 and in respect of which

i. an application for an advance ruling has been filed with the Ministère du Revenu on or before 15 June 1989, and

ii. a favourable decision on the application of sections 1029.8.5.1 and 1029.8.5.2 of the Taxation Act was rendered by the Ministère du Revenu.

c. I-3,
s. 1029.8.10,
am.

78. (1) Section 1029.8.10 of the said Act, replaced by section 162 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Pre-competitive research and catalyst or environmental technology innovation projects

“1029.8.10 A taxpayer, other than a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1, who carries on a business in Canada and has made an agreement with a person or partnership whereby the parties agree to undertake in Québec scientific research and experimental development, within the meaning of the regulations made pursuant to section 222, and in respect of which either the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1993 recognizing that the scientific research and experimental development will be undertaken as part of a pre-competitive research project, or, on or before 31 December 1994, the scientific research and experimental development contemplated therein were the subject of a decision of the Cabinet recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project or an environmental technology innovation project, is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken, as partial payment of his tax payable for the year pursuant to this Part, an amount equal to 40 % of the total or part of a qualified expenditure he has made in Québec before 1 January 1996, in the case of a pre-competitive research project, or before 1 January 1997, in the case of a catalyst project or an environmental technology innovation project, that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that year.”

(2) This section applies in respect of expenditures for scientific research and experimental development made after 16 May 1989. However, where the first paragraph of section 1029.8.10 of the Taxation Act, enacted by this section, applies in respect of such an expenditure made after 16 May 1989 but before 27 April 1990,

(a) the reference therein to “31 December 1994” shall read as a reference to “that date”, and

(b) the said paragraph shall read without reference to the words “or an environmental technology innovation project” or to the words “, in the case of a pre-competitive research project, or before 1 January 1997, in the case of a catalyst project or an environmental technology innovation project,”.

c. I-3,
s. 1029.8.11,
am.

79. (1) Section 1029.8.11 of the said Act, replaced by section 162 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Pre-competitive research and

“1029.8.11 Where a particular partnership carries on a business in Canada and has made an agreement with a person or

catalyst or
environ-
mental
technology
innovation
projects
carried out
by a part-
nership

partnership whereby the parties agree to undertake in Québec scientific research and experimental development, within the meaning of the regulations made pursuant to section 222, and in respect of which either the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1993 recognizing that the scientific research and experimental development will be undertaken as part of a pre-competitive research project, or, on or before 31 December 1994, the scientific research and experimental development contemplated therein were the subject of a decision of the Cabinet recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project or an environmental technology innovation project, every taxpayer who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership were undertaken and who is not a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1 or a specified member of the partnership during the said fiscal period, is deemed to have paid to the Minister, for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or part of a qualified expenditure the partnership has made in Québec before 1 January 1996, in the case of a pre-competitive research project, or before 1 January 1997, in the case of a catalyst project or an environmental technology innovation project, that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that fiscal period.”

(2) This section applies in respect of expenditures for scientific research and experimental development made after 16 May 1989. However, where the first paragraph of section 1029.8.11 of the Taxation Act, enacted by this section, applies in respect of such an expenditure made after 16 May 1989 but before 27 April 1990,

(a) the reference therein to “31 December 1994” shall read as a reference to “that date”, and

(b) the said paragraph shall read without reference to the words “or an environmental technology innovation project” or to the words “, in the case of a pre-competitive research project, or before 1 January 1997, in the case of a catalyst project or an environmental technology innovation project,”.

c. I-3,
s. 1029.8.15.1,
am.

80. (1) Section 1029.8.15.1 of the said Act, enacted by section 164 of chapter 7 of the statutes of 1990, is amended

(1) by replacing the period at the end of paragraph *i* by a semicolon;

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

“(j) an expenditure specified by a corporation for the purposes of clause A of subparagraph ii of paragraph *a* of subsection 2 of section 194 of the Income Tax Act (Statutes of Canada).”

(2) This section applies in respect of expenditures made for scientific research and experimental development after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

(a) the elaboration of which was complete on 17 May 1989 and for which expenditures for scientific research and experimental development were made before that date, or

(b) the elaboration of which was sufficiently well advanced on 17 May 1989 and in respect of which

i. an application for an advance ruling has been filed with the Ministère du Revenu on or before 15 June 1989, and

ii. a favourable decision on the application of sections 1029.8.15.1 and 1029.8.15.2 of the Taxation Act was rendered by the Ministère du Revenu.

c. 1-3,
s. 1029.8.16,
am.

81. (1) Section 1029.8.16 of the said Act, amended by section 165 of chapter 7 of the statutes of 1990, is again amended

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

“ii. where the scientific research and experimental development to be undertaken pursuant to the agreement contemplated in the said section 1029.8.10 or 1029.8.11 have been the subject of a decision of the Cabinet recognizing that they will be undertaken as part of a catalyst project or an environmental technology innovation project, if the expenditure was made, or the scientific research and experimental development were undertaken, before the date of recognition of the project indicated in the decision, or after the date indicated in a notice, sent, as the case may be, by the Minister responsible for ensuring the follow-up of the project covered by the agreement, to the effect that the scientific research and experimental development are no longer undertaken as part of the project.”;

(2) by striking out paragraph *c*.

(2) This section has effect from 17 May 1989. However, where subparagraph ii of paragraph *b* of section 1029.8.16 of the Taxation Act, enacted by paragraph 1 of subsection 1, applies to the period from 17 May 1989 to 26 April 1990, it shall read without reference to the words “or an environmental technology innovation project”.

c. I-3,
ss. 1029.8.22-
1029.8.33,
added

82. (1) The said Act is amended by inserting, after section 1029.8.21, the following:

“DIVISION II.5

“CREDIT FOR TRAINING

“§ 1.—*Interpretation and generalities*

Definitions

“**1029.8.22** In this division,

“qualified
training
activity”

“qualified training activity” in respect of an eligible employee of a qualified corporation means a course in which the eligible employee is enrolled, provided the course is given by a qualified training institution or by another entity outside Québec if, in the latter case, the course has been the subject of an authorization obtained, prior to its beginning, by the qualified corporation from a manpower vocational training commission, but does not include

(a) a symposium, conference, seminar, convention or other similar activity, or

(b) a course in respect of which one of the following conditions is met:

i. the main objective thereof is to increase the eligible employee’s skills in negotiating or making contracts the object of which is the selling of property or the provision of a service;

ii. it is given at a distance;

iii. it is taken because the qualified corporation is required to comply with an Act or a regulation;

iv. it is required by a professional corporation governed by the Professional Code (R.S.Q., chapter C-26) and intended for a member of such a corporation or for a person who is in the process of becoming such a member;

v. it is given by or on behalf of an employers’ association, an employees’ association or a similar association and designed for a

member of such an association or for a person who is in the process of becoming such a member;

“government assistance” means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by virtue of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof;

“manpower vocational training commission” means a corporation referred to in Chapter II of the Act respecting manpower vocational training and qualification (R.S.Q., chapter F-5);

“qualified corporation”, for a taxation year, means a corporation that carries on business and has an establishment in Québec in the year and all or substantially all the gross revenue of which is derived from the carrying on of a qualified business, but does not include

(a) a corporation that is exempt from tax for the year under Book VIII, other than an insurer contemplated in paragraph *k* of section 998 not so exempt from tax on the totality of its taxable income for the year by reason of section 999.0.1,

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985,

(c) a corporation all or substantially all the gross revenue of which is derived from the operation of an international financial centre, within the meaning of section 737.13, for the year, or

(d) the corporation governed, in the year, by the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1);

“qualified training expenditure” made by a qualified corporation in a taxation year means, subject to section 1029.8.23, a cost or an expenditure, provided it is reasonable under the circumstances, incurred in the year by the qualified corporation and related to a business carried on by it in Québec, corresponding to

(a) the lesser of \$10 000 and the amount by which the cost of the human resources development plan to the qualified corporation

exceeds the amount of any government assistance or non-government assistance in respect thereof that the qualified corporation has received, is entitled to receive or can reasonably expect to receive at the time of filing its fiscal return for that taxation year,

(b) qualified training costs of the qualified corporation,

(c) the product obtained by multiplying the number of hours, without exceeding 180, during which an eligible employee of the qualified corporation has participated, in the taxation year and during his normal working hours, in a qualified training activity in which he was enrolled, by the lesser of \$30 and the amount of the wages or salary, paid in currency and computed on an hourly basis, received by the employee in respect of any period during which he has participated, in that taxation year, in a qualified training activity in which he was enrolled and, for the purposes of this paragraph,

i. the number of hours during which an eligible employee has participated, in a taxation year and during his normal working hours, in a qualified training activity in which he was enrolled does not include the hours of practical application related to that activity worked by him in the taxation year to produce property or provide services for the benefit of the qualified corporation or a person with whom it was not dealing at arm's length, except to the extent that they may reasonably be considered to be necessary to complete the training received by the eligible employee;

ii. the amount of the wages or salary does not include directors' fees, premiums, incentive bonuses, overtime compensation, commissions nor benefits contemplated in Division II of Chapter II of Title II of Book III;

iii. where a taxation year consists of less than 52 weeks, the reference in this paragraph to "180" shall read as a reference to "the product obtained by multiplying 180 by the quotient obtained by dividing by 52 the number of weeks in the taxation year";

iv. where an eligible employee of a qualified corporation has participated, in a taxation year, in a qualified training activity during more than 180 hours or more than the number of hours computed in accordance with subparagraph iii, as the case may be, the wages or salary, paid in currency and computed on an hourly basis, that he received in respect of the whole period during which he participated, in the taxation year, in a qualified training activity in which he was enrolled, shall be computed by dividing the wages or salary that may reasonably be considered to have been paid in currency in respect of the number of hours, computed for the purposes of this paragraph as

if it read without reference to the words “, without exceeding 180,” and subparagraph iii thereof, during which the eligible employee has participated, in the taxation year and during his normal working hours, in a qualified training activity in which he was enrolled by the number of hours so computed for the taxation year for the purposes of this paragraph as if it read without reference to the words “, without exceeding 180,” and subparagraph iii thereof;

v. where the conditions of the contract of employment of an eligible employee do not allow his wages or salary to be computed on an hourly basis, the amount thereof is deemed to be equal to the quotient obtained by dividing his wages or salary computed on an annual basis by 2 080;

vi. the normal working hours of an eligible employee who participates in a qualified training activity before beginning to carry on work under his contract of employment are deemed to be the hours during which he participated in any such qualified training activity;

(d) a refund of any form of assistance referred to in paragraph a, except to the extent that such assistance has not reduced the cost of a human resources development plan to less than \$10 000, or in section 1029.8.32;

“eligible
employee”

“eligible employee” of a qualified corporation at any particular time in a taxation year means an individual who, at that time, is an employee of an establishment of the qualified corporation located in Québec, whose contract of employment provides for at least 15 working hours per week, who, at any time in the taxation year, is not a specified shareholder of the qualified corporation nor, where the qualified corporation is a cooperative, a member having received, directly or indirectly at any time in the year, at least 10 % of the vote at a meeting of the members of the cooperative, and who, at that particular time, is not

(a) an employee in respect of whom it may reasonably be considered that one of the main reasons of his being in the employment of the qualified corporation is to allow it to be deemed to have paid an amount to the Minister under section 1029.8.25 in respect of the employee, or

(b) an employee in respect of whom it may reasonably be considered that the conditions of employment with the qualified corporation have been changed mainly to allow it to be deemed to have paid an amount to the Minister under section 1029.8.25 in respect of

the employee or to increase an amount that it would be deemed, but for this paragraph, to have paid to the Minister under the said section in respect of the employee;

“qualified training institution”

“qualified training institution” means a recognized educational institution or a registered private training company;

“recognized educational institution”

“recognized educational institution” means

(a) a secondary level educational institution under the authority of the Minister of Education,

(b) an educational institution declared to be of public interest under section 9 of the Act respecting private education (R.S.Q., chapter E-9) or recognized for the purposes of grants under section 15 of the said Act,

(c) an educational institution recognized by the Minister of Higher Education and Science under section 11 of the Student Loans and Scholarships Act (R.S.Q., chapter P-21), and

(d) a private educational institution holding a permit issued or renewed by the Minister of Education or the Minister of Higher Education and Science under section 23 of the Act respecting private education (R.S.Q., chapter E-9), so long as it offers a vocational education program authorized by one or the other of the said Ministers;

“qualified training costs”

“qualified training costs” of a qualified corporation means the aggregate of the following amounts:

(a) the aggregate of amounts each of which is the cost of a qualified training activity in which an eligible employee of a qualified corporation is enrolled that is incurred by the qualified corporation directly with an entity offering the qualified training activity or refunded by the qualified corporation to the eligible employee where the cost of such an activity has been paid by him directly to the entity offering it, to the extent that, in all cases, the cost may reasonably be attributable to training given to that eligible employee, and

(b) any amount as travel expenses of an eligible employee of the qualified corporation, in respect of a qualified training activity, other than an amount referred to in paragraph a, provided the establishment of the qualified corporation where the eligible employee usually reports for work and the place where the qualified training activity is followed do not lie within the same municipality or, as the case may be, within the same metropolitan region and are at least 40 kilometres apart;

“apparent payment” “apparent payment” means an amount paid or payable by a qualified training institution or any other entity located outside Québec for the use of premises, installations or equipment that may reasonably be considered to be included in a qualified training expenditure;

“human resources development plan” “human resources development plan” means a study prepared by a person or corporation registered with a manpower vocational training commission or a recognized educational institution, the results of which suggest the action to be taken to satisfy the manpower vocational training needs of a corporation and in respect of which a manpower vocational training commission has issued a registration receipt that is not revoked;

“instructor” “instructor”, in respect of a qualified training activity, means an individual responsible for providing education related to the activity;

“registered private training company” “registered private training company” at a particular time, means a corporation that is, at that particular time, registered as a private training company with a manpower vocational training commission.

Excluded expenditure **“1029.8.23** For the purposes of this division, a qualified training expenditure does not include

(a) an expenditure made by a qualified corporation and related to a qualified training activity, where the instructor, in respect of the activity, is

i. a particular employee of the qualified corporation or of a corporation with which the qualified corporation does not deal at arm’s length, or

ii. an employee of a corporation that carries on a personal services business, where a shareholder of the corporation is both a specified shareholder thereof and a particular employee of the qualified corporation or of a corporation with which the qualified corporation does not deal at arm’s length;

(b) an expenditure related to a qualified training activity offered

i. by a corporation or person that or who is a member of a federation, confederation, cooperative, association, group or other form of affiliation, by or on behalf of any such federation, confederation, cooperative, association, group or any other form of affiliation, or by a corporation with which any such entity does not deal at arm’s length, to an eligible employee of a member of any such entity or to an eligible employee of a qualified corporation that is a member of an entity that is itself a member of any such entity, or

ii. a franchisor or a person with whom he does not deal at arm's length, as part of the carrying out of a distributorship contract;

(c) an expenditure incurred by a qualified corporation with an entity with whom the qualified corporation or a specified shareholder thereof does not deal at arm's length;

(d) an expenditure related to a qualified training activity, where the qualified training activity is followed by an eligible employee of a qualified corporation in an establishment thereof or of a person with whom the qualified corporation does not deal at arm's length, and the qualified training activity is offered by a registered private training company that did not obtain, prior to the beginning of the activity, an authorization in respect thereof from a manpower vocational training commission;

(e) an expenditure that is, for an eligible employee, a benefit which he is required to include in computing his income for a taxation year under Division II of Chapter II of Title II of Book III or section 111;

(f) an expenditure in respect of which an amount is or would be deemed, but for a renunciation under Chapter II of Title VI.3.3 of Book IV, to have been paid to the Minister by a qualified corporation for a taxation year under section 1029.7 or 1029.8.10.

"particular employee"

For the purposes of subparagraph *a* of the first paragraph, the expression "particular employee" of a qualified corporation means an employee of the qualified corporation or a person who has ceased to work for the qualified corporation within the 12 months preceding the time when the provision of the training activity referred to therein began.

Rules

"1029.8.24 For the purposes of this division, the following rules apply:

(a) an amount paid or payable in respect of the consumption, by an eligible employee, of food or beverages is deemed to be equal to 80 % of the lesser of the amount so paid or payable in that respect and the amount it would be reasonable to pay in that respect under the circumstances;

(b) an amount paid or payable as an allowance for the use of an automobile by an eligible employee, in respect of a qualified training activity, is deemed to be equal to the lesser of the amount so paid or payable and the amount obtained by multiplying by \$0.25 the number of kilometres travelled by the eligible employee in respect of the qualified training activity;

(c) where a qualified corporation has made an expenditure, at a particular time, corresponding to the cost of a study that would, but for this paragraph, be a human resources development plan, the study is deemed not to be a human resources development plan if the corporation has made an expenditure, within the 36 months preceding that particular time, corresponding to the cost of another study that is a human resources development plan and in respect of which the qualified corporation is deemed to have paid an amount to the Minister under section 1029.8.25;

(d) the cost, to a qualified corporation, of a human resources development plan that is completed for more than one person is deemed to be equal to such portion of the cost of the human resources development plan to all persons for whom it was completed as may reasonably be considered both to have been assumed by the qualified corporation and to be attributable to the development of the human resources thereof;

(e) a qualified training expenditure corresponding to the cost of a human resources development plan is deemed to be made only at the later of following times:

- i. the time when the expenditure is made, and
- ii. the time when the registration receipt related to the plan is issued;

(f) a registration receipt, in respect of a human resources development plan, that is revoked by the manpower vocational training commission that has issued it is null and void from the date of its issue;

(g) any qualified training expenditure that is made by a qualified corporation and corresponds to qualified training costs must be reduced by the amount of the expenditure representing consideration for the disposition of property for the benefit of the qualified corporation or a person with whom the qualified corporation does not deal at arm's length, except to the extent that such consideration relates to the portion of the property that was consumed, as the case may be, as part of the qualified training activity in which an eligible employee of the qualified corporation has participated;

(h) a qualified training expenditure corresponding to qualified training costs shall not be considered to have been made in a taxation year to the extent that it may reasonably be considered to have been made in respect of a qualified training activity offered to an eligible employee after the end of the year or of travel expenses incurred by such an employee after the end of the year;

(i) any amount or part of an amount that would, but for paragraph *h*, be a qualified training expenditure made in a taxation year is deemed to be a qualified training expenditure made in the subsequent taxation year to which such an amount or part may reasonably be considered to relate.

“§ 2.—*Credit*

Credit

“**1029.8.25** A qualified corporation that makes a qualified training expenditure in a taxation year and encloses, with its fiscal return it is required to file for the year under section 1000, a prescribed form containing the prescribed information is deemed to have paid to the Minister, as partial payment of its tax payable for that year pursuant to this Part, an amount equal to the aggregate of the following amounts:

(a) where the qualified training expenditure corresponds to the cost of a human resources development plan, 30 % of the amount of that expenditure if it is made before 1 January 1993, and 20 % of the amount of that expenditure if it is made after 31 December 1992, and

(b) where the qualified training expenditure corresponds to an expenditure other than an expenditure referred to in subparagraph *a*, 20 % of the amount of that expenditure if the qualified training activity to which it relates is completed before 1 January 1993, and 10 % of the amount of that expenditure if the qualified training activity to which it relates is completed after 31 December 1992.

Computation
of payments

For the purposes of computing the payments that a corporation contemplated in the first paragraph is required to make under section 1027 or 1145 where that section refers to section 1027, the corporation is deemed to have paid to the Minister, as partial payment of its tax payable for the year pursuant to this Part and of its tax payable for the year pursuant to Part IV, on the date on or before which each payment must be made, the amount that would be determined under the first paragraph if it applied only to the period covered by the payment.

Small and
medium-
sized
businesses

“**1029.8.26** Where the corporation referred to in section 1029.8.25 is a corporation that has been, throughout the taxation year contemplated therein, a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and the assets or the net shareholders' equity shown in its books and financial statements submitted to the shareholders for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period,

were less than \$25 000 000 or no more than \$10 000 000, respectively, the references to “30 %” and “20 %” in subparagraph *a* of the first paragraph of the said section 1029.8.25 shall read as references to “50 %” and “30 %” and the references to “20 %” and “10 %” in subparagraph *b* of the first paragraph of the said section 1029.8.25 shall read as references to “40 %” and “20 %”.

Computation of assets and net shareholders' equity

“1029.8.27 For the purposes of section 1029.8.26, in computing the assets and the net shareholders' equity of a corporation at the time contemplated therein, the amount representing the surplus reassessment of its property and the amount of its intangible assets shall be subtracted, to the extent that the amount indicated in their respect exceeds the expenditure made in their respect.

Expenditure in respect of intangible assets

For the purposes of the first paragraph, where all or part of an expenditure made in respect of intangible assets consists of shares of the corporation's capital stock, all or the part of the expenditure, as the case may be, is deemed to be nil.

Assets of associated corporation

“1029.8.28 For the purposes of section 1029.8.26, the assets of a corporation that is associated in a taxation year with one or more other corporations is equal to the amount by which the aggregate of the assets of the corporation and of each corporation associated with it, as determined under sections 1029.8.26 and 1029.8.27, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

Net shareholders' equity

“1029.8.29 For the purposes of section 1029.8.26, the net shareholders' equity of a corporation that is associated in a taxation year with one or more other corporations is equal to the amount by which the aggregate of the net shareholders' equity of the corporation and of each corporation associated with it, as determined under sections 1029.8.26 and 1029.8.27, exceeds the aggregate of the amount of investments in shares the corporations own in each other.

Reduction of assets or net shareholders' equity

“1029.8.30 For the purposes of sections 1029.8.26 to 1029.8.29, where a corporation or a corporation associated with it reduces its assets or the net shareholders' equity by any transaction in a taxation year and where, but for that reduction, the corporation would not be contemplated in section 1029.8.26, the assets are, or the net shareholders' equity is, as the case may be, deemed not to have been so reduced unless the Minister decides otherwise.

Benefit or advantage not related to the qualified training activity

“1029.8.31 Where, in respect of a qualified training expenditure made by a qualified corporation in a taxation year in respect of a qualified training activity, a person or a partnership has obtained, is entitled to obtain or can reasonably expect to obtain a

benefit or advantage, other than a benefit or advantage that may reasonably be attributable to the qualified training activity, whether in the form of a reimbursement, compensation, guarantee or the proceeds of disposition of a property which exceed the fair market value of that property, or in any other form or manner, for the purposes of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.25, the amount of the qualified training expenditure shall be reduced by the amount of the benefit or advantage the person or partnership has obtained, is entitled to obtain or can reasonably expect to obtain at the time of filing the qualified corporation's fiscal return for that taxation year.

Government
or non-
government
assistance

“1029.8.32 For the purposes of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by a qualified corporation under section 1029.8.25, the amount of a qualified training expenditure referred to therein shall be reduced, as the case may be, by the amount of any government assistance or non-government assistance, other than any such assistance related to a human resources development plan, and by any apparent payment, attributable to the qualified training expenditure, that the qualified corporation or, in the case of an apparent payment, a person with whom it does not deal at arm's length has received, is entitled to receive or can reasonably expect to receive at the time of filing its or his fiscal return for the taxation year.

“§ 3.—Administration

Certification

“1029.8.33 A qualified corporation is deemed to have paid to the Minister, for a taxation year, an amount under section 1029.8.25 in respect of a qualified training expenditure corresponding to wages paid to an eligible employee thereof, in respect of any period in the taxation year during which he participated in a qualified training activity in which he was enrolled, only if, no later than the date on which it is required to file its fiscal return for the year under section 1000, a prescribed form certifying the eligible employee's participation in the qualified training activity during that period is signed jointly by

- (a) an authorized representative of the qualified corporation,
- (b) where the qualified corporation is a corporation contemplated in section 1029.8.26, the eligible employee, and
- (c) where the qualified training activity is followed with a registered private training company, an authorized representative of the company, or

(d) where the qualified training activity is followed with a recognized educational institution in an establishment of the qualified corporation or a person with whom it does not deal at arm's length, an authorized representative of the recognized educational institution."

(2) This section has effect from 27 April 1990. However,

(a) where sections 1029.8.22 to 1029.8.33 of the Taxation Act, enacted by this section, refer to a qualified training expenditure, they apply, subject to subsection 3, in respect of an expenditure made

i. after 26 April 1990, where the expenditure both

(1) relates to a qualified training activity beginning after that date, in which an eligible employee of a qualified corporation is enrolled after that date, and followed with a recognized educational institution pursuant to a contract entered into after that date, and

(2) corresponds either to the payment or reimbursement of qualified training costs related to the activity or to the wages or salary paid in respect of the activity;

ii. after 31 August 1990, where the expenditure both

(1) relates to a qualified training activity beginning after that date, in which an eligible employee of a qualified corporation is enrolled after that date, and followed either with a registered private training company or with any other entity and has been the object of an authorization obtained before the beginning of the activity from a manpower vocational training commission if, in all cases, the qualified training activity is followed pursuant to a contract entered into after that date, and

(2) corresponds either to qualified training costs related to the activity or to wages or salary paid in respect of the activity;

iii. after 31 August 1990, where the expenditure corresponds to the cost of a human resources development plan devised pursuant to a contract entered into after that date;

(b) where a prescribed form to which section 1029.8.25 of the Taxation Act, enacted by this section, refers for a taxation year is filed with the Minister by a qualified corporation on or before 19 August 1991, it is deemed to have been included with the fiscal return the corporation is required to file for the year under section 1000 of the said Act;

(c) where an authorization in respect of a course to which the definition of the expression “qualified training activity” provided in section 1029.8.22 of the Taxation Act, enacted by this section, refers and an authorization in respect of a qualified training activity to which subparagraph *d* of the first paragraph of section 1029.8.23 of the said Act, enacted by this section, refers are obtained on or before 19 August 1991, such authorizations are deemed to have been obtained before the beginning of the course or activity, as the case may be.

(3) Where a qualified training expenditure is made before 21 May 1991, any reference in section 1029.8.33 of the Taxation Act, as enacted by subsection 1, to a “prescribed form” shall read as a reference to a “form”.

c. 1-3,
s. 1038, am. **83.** (1) Section 1038 of the said Act is amended by replacing subparagraph *a* of the third paragraph by the following subparagraph:

“(a) its tax payable for the year, computed without reference to sections 771.0.1.1 and 771.0.1.2, or its first basic provisional account, within the meaning of the regulations under subparagraph *i* of the said subparagraph, for the year; or”.

(2) This section applies to taxation years ending after 16 May 1989. However, where subparagraph *a* of the third paragraph of section 1038 of the Taxation Act, enacted by this section, applies to a taxation year ending after 16 May 1989 and before 27 April 1990, it shall read as follows:

“(a) its tax payable for the year, computed without reference to sections 771.0.1 and 771.0.1.1, or its first basic provisional account, within the meaning of the regulations under subparagraph *i* of the said subparagraph, for the year; or”.

c. 1-3,
s. 1049.2.6,
replaced **84.** (1) Section 1049.2.6 of the said Act is replaced by the following section:

Investment
fund

“1049.2.6 Where, in a year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfil its undertaking under paragraph *b* of section 965.6.23, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which the adjusted cost of the aggregate of the qualifying securities issued in the year that are valid qualifying securities exceeds the adjusted cost of the qualifying shares owned by the investment fund on 31 December in the year and acquired by it during the year with the proceeds of the issue of such qualifying securities or acquired by it during the year as a result of the exercise

of a right of conversion conferred on the holder of a convertible security purchased in the year by the investment fund with the proceeds of the issue of such qualifying securities, other than qualifying shares having already been used, in respect of the year, for the purposes of the said paragraph *b*.”

(2) This section has effect from 17 May 1989.

c. 1-3,
ss. 1049.2.7.1-
1049.2.7.5,
added

85. (1) The said Act is amended by inserting, after section 1049.2.7, the following sections:

Penalty

“**1049.2.7.1** Where, on 31 December in a particular year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfil its undertaking under paragraph *a* of section 965.6.23.1, the administrator or trustee is liable to a penalty equal to 25 % of such proportion of the excess of that portion, which should have been the subject of the undertaking under the said paragraph *a*, of the proceeds, for the year preceding the particular year, of the public security issue over the greater of the particular amount referred to in paragraph *b* of that section in respect of the year preceding the particular year and the adjusted cost of the aggregate of the qualifying shares described in the said paragraph *a* acquired by the investment fund during the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue or as a result of the exercise of a right of conversion conferred on the holder of a convertible security purchased by the investment fund in the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue, other than any such qualifying shares having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *b* of section 965.6.23.1 or a qualifying share referred to in section 965.6.0.4 in respect of the particular year, as is represented by the ratio between that portion of the proceeds, for the year preceding the particular year, of the public security issue derived from the issue of qualifying securities and the proceeds of the issue.

Penalty

“**1049.2.7.2** Where, in a year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfil its undertaking under paragraph *b* of section 965.6.23.1, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which

(*a*) the excess of the adjusted cost of the aggregate of the qualifying securities issued in the year that are valid qualifying

securities over the particular amount referred to in the said paragraph *b* in respect of the year, exceeds

(*b*) the adjusted cost of the qualifying shares owned by the investment fund on 31 December in the year and acquired by it during the year with that portion of the proceeds of the issue of valid qualifying securities issued in the year that exceeds the particular amount referred to in the said paragraph *b* in respect of the year, or as a result of the exercise of a right of conversion conferred on the holder of a convertible security purchased in the year by the investment fund with that portion of the proceeds of the issue, other than qualifying shares having already been used, in respect of the year, for the purposes of paragraph *c* of section 965.6.23.1 or a qualifying share referred to in section 965.6.0.4 in respect of the year.

Penalty

“1049.2.7.3 Where, in a particular year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfil its undertaking under paragraph *c* of section 965.6.23.1, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which the particular amount referred to in paragraph *b* of the said section in respect of the year preceding the particular year, exceeds the adjusted cost of the qualifying shares described in paragraph *a* of the said section, owned by the investment fund on 31 December in the particular year and acquired by it during the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue or as a result of the exercise of a right of conversion conferred on the holder of a convertible security purchased by the investment fund in the particular year or the year preceding that year with the proceeds of the issue, other than any such qualifying shares having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *b* of section 965.6.23.1 or a qualifying share referred to in section 965.6.0.4 in respect of the particular year.

Penalty

“1049.2.7.4 Where, on 31 December in a year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfil its undertaking under paragraph *d* of section 965.6.23.1, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which the excess of the adjusted cost of the aggregate of the qualifying securities issued in the year and the preceding two years that are not redeemed by the investment fund on or before 31 December in the year over the aggregate of amounts each of which is a particular amount referred to in paragraph *b* of section 965.6.23.1 in respect of the year or any of the preceding two years, exceeds the adjusted cost of the qualifying shares or valid shares owned by the investment fund on 31 December

in the year, other than qualifying shares or valid shares having already been used, in respect of the year, for the purposes of paragraph *e* of section 965.6.23.1 or a qualifying share referred to in section 965.6.0.4 in respect of the year.

Penalty “**1049.2.7.5** Where, on 31 December in a year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfil its undertaking under paragraph *e* of section 965.6.23.1, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which the aggregate of amounts each of which is a particular amount referred to in paragraph *b* of the said section in respect or any of the preceding three years, exceeds the adjusted cost of the qualifying shares or valid shares owned by the investment fund on 31 December in the year, other than qualifying shares or valid shares having already been used, in respect of the year, for the purposes of paragraph *d* of section 965.6.23.1 or a qualifying share referred to in section 965.6.0.4 in respect of the year.”

(2) This section has effect from 27 April 1990.

c. I-3,
s. 1049.4.1,
added **86.** (1) The said Act is amended by inserting, after section 1049.4, the following section:

Penalty “**1049.4.1** Where a particular share of the capital stock of a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), that forms part of a qualified investment, or a share substituted therefor, can be purchased or redeemed by the qualified corporation as a result of a transaction occurring, after 26 April 1990, during the 60 months following the acquisition of the particular share that forms part of a qualified investment, the qualified corporation is liable to a penalty, in respect of the particular share or the share substituted therefor, equal to 25 % of the lesser of the following amounts:

(a) the amount obtained by applying the percentage determined in section 965.31.1 in respect of the qualified investment to the amount that would be the amount of purchase or redemption of the particular share or the share substituted therefor, as the case may be, if the purchase or redemption were made immediately after the transaction, and

(b) the quotient obtained by dividing, by the number of shares that form part of the qualified investment, the amount obtained by applying the percentage referred to in paragraph *a* to the total amount of the qualified investment.”

(2) This section has effect from 27 April 1990.

c. I-3,
s. 1049.5,
replaced

87. (1) Section 1049.5 of the said Act is replaced by the following section:

Purchase or
redemption
of shares
forming
part
of qualified
investment

“1049.5 Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), that purchases or redeems a particular share of its capital stock that forms part of a qualified investment or a share substituted therefor, after 26 April 1990, during the 60 months following the acquisition of the particular share that forms part of the qualified investment, is liable to a penalty, in respect of the particular share or the share substituted therefor, equal to 25 % of the lesser of the following amounts:

(a) the amount obtained by applying the percentage determined in section 965.31.1 in respect of the qualified investment to the amount of purchase or redemption of the particular share or the share substituted therefor, as the case may be, and

(b) the quotient obtained by dividing by the number of shares that form part of the qualified investment the amount obtained by applying the percentage referred to in paragraph a to the total amount of the qualified investment.”

(2) This section has effect from 27 May 1986.

c. I-3,
s. 1049.5.1,
added

88. (1) The said Act is amended by inserting, after section 1049.5, the following section:

Exception

“1049.5.1 Notwithstanding sections 1049.4 to 1049.5, the Minister may reduce, or bring down to nil, the amount of a penalty that, but for this section, would be determined under any of the said sections in respect of a transaction if he considers that, having regard to the circumstances, the transaction was carried out primarily for business purposes.”

(2) This section has effect from 27 May 1986. However, where section 1049.5.1 of the Taxation Act, enacted by this section, applies in respect of a transaction occurring before 27 April 1990, the reference therein to “to 1049.5” shall read as a reference to “and 1049.5”.

c. I-3,
s. 1049.10.2,
added

89. (1) The said Act is amended by inserting, after section 1049.10.1, the following section:

Annuitant
deemed to
be
shareholder

“1049.10.2 For the purposes of sections 1049.6, 1049.10 and 1049.10.1, where a shareholder of a Québec business investment

company, within the meaning of paragraph *f* of section 965.29, is a trust governed by a registered retirement savings plan or a registered retirement income fund, the annuitant, within the meaning of paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be, under the plan or fund is deemed to be also a shareholder of the company.”

(2) This section applies from the taxation year 1986.

c. I-3,
s. 1049.20,
am.

90. (1) Section 1049.20 of the said Act, amended by section 199 of chapter 7 of the statutes of 1990, is again amended by replacing subparagraphs *a* and *b* of the first paragraph by the following subparagraphs:

“(a) 10 % of the amount of such expenditures which were not deductible under section 222 or paragraph *a* of section 223 and that are not referred to in subparagraph *b*, where the amount that would be deemed to have been paid in respect of those expenditures, were it not for the renunciation, would be deemed to have been paid under section 1029.7;

“(b) 25 % of the amount of such expenditures which were not deductible under section 222 or paragraph *a* of section 223, where the amount that would be deemed to have been paid in respect of those expenditures, were it not for the renunciation, would be deemed to have been paid under section 1029.7 following the application of section 1029.7.2;”.

(2) This section has effect from 13 May 1988.

c. I-3,
s. 1049.28,
added

91. (1) The said Act is amended by inserting, after section 1049.27, the following section:

Penalty

“**1049.28** Where a corporation is deemed to have paid to the Minister, for a taxation year, an amount under section 1029.8.25 and the expenditure in respect of which it is so deemed to have paid an amount is, in whole or in part, directly or indirectly in any manner whatever, refunded to the corporation or allocated to a payment the corporation must make, the corporation is liable to a penalty equal to the amount obtained by applying to the amount of the expenditure so refunded or allocated the percentage applied to it for the year under the said section.”

(2) This section has effect from 27 April 1990.

c. I-3,
s. 1050,
replaced

92. (1) Section 1050 of the said Act, replaced by section 201 of chapter 7 of the statutes of 1990, is again replaced by the following section:

Burden of
proof

“1050. For the purposes of an appeal brought under this Part respecting a penalty, the burden of establishing the facts contemplated in sections 1049 to 1049.28 is on the Minister.”

(2) This section has effect from 27 April 1990.

c. I-3,
s. 1052, am.

93. (1) Section 1052 of the said Act is amended

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

Interest on
overpay-
ment

“1052. Where an overpayment by a taxpayer is refunded or applied to another liability, interest is paid to him on such excess for the period ending on the day of such refund or application and commencing on the latest of the following dates:”;

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

“(c) the thirty-first day following the day on or before which the fiscal return giving rise to the overpayment was required to be filed under sections 1000 to 1003 or should have been filed if the taxpayer had had any tax to pay for the taxation year relating to the return;”;

(3) by replacing the period at the end of paragraph *d* by a semicolon;

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

“(e) in the case of an excess amount determined in respect of a corporation for a taxation year pursuant to an application to amend its fiscal return filed under sections 1000 to 1003 for that year, the thirty-first day following the date on which the Minister receives the application.”

(2) Paragraphs 1 and 2 of subsection 1 have effect from 1 October 1990.

(3) Paragraphs 3 and 4 of subsection 1 apply in respect of applications for changes received by the Minister of Revenue after 26 April 1990.

c. I-3,
s. 1128, am.

94. (1) Section 1128 of the said Act is amended by replacing the first paragraph by the following paragraph:

Non-
resident
owned
investment

“1128. A non-resident owned investment corporation which does not have, at any time in a taxation year, an establishment in

corporation
having no
establish-
ment in
Canada

Canada and which disposes of a taxable Québec property within the meaning of paragraphs *a* and *b* of section 1094 or property which would be such property if the corporation had not been resident in Canada at any time in the year must pay tax for the year at the rate established in subsection 1 of section 771 and in sections 771.0.1.1 and 771.0.1.2 on the amount by which its taxable capital gains for the year resulting from the disposition of such property exceeds the aggregate of its allowable capital losses for the year resulting from the disposition of such property and the net capital losses incurred by it in respect of the disposition of such property during the preceding taxation years and the three taxation years following the taxation year.”

(2) This section applies to taxation years ending after 16 May 1989. However, where the first paragraph of section 1128 of the Taxation Act, enacted by this section, applies to a taxation year ending after 16 May 1989 and before 27 April 1990, it shall read as follows:

Non-
resident
owned
investment
corporation
having no
establish-
ment in
Canada

“**1128.** A non-resident owned investment corporation which does not have, at any time in a taxation year, an establishment in Canada and which disposes of a taxable Québec property within the meaning of paragraphs *a* and *b* of section 1094 or property which would be such property if the corporation had not been resident in Canada at any time in the year must pay tax for the year at the rate established in subsection 1 of section 771 and in sections 771.0.1 and 771.0.1.1 on the amount by which its taxable capital gains for the year resulting from the disposition of such property exceeds the aggregate of its allowable capital losses for the year resulting from the disposition of such property and the net capital losses incurred by it in respect of the disposition of such property during the preceding taxation years and the three taxation years following the taxation year.”

c. I-3,
s. 1132.2,
am.

95. Section 1132.2 of the said Act, enacted by section 209 of chapter 7 of the statutes of 1990, is amended by replacing the first paragraph by the following paragraph:

Additional
tax payable

“**1132.2** Every corporation contemplated in section 1131 shall add to its tax payable contemplated in section 1132, for a taxation year ending after 16 May 1989 but before 27 April 1990, an amount equal to 12 % of that tax.”

c. I-3,
s. 1132.3,
added

96. The said Act is amended by inserting, after section 1132.2, the following section:

Additional
tax payable

“**1132.3** Every corporation contemplated in section 1131 shall add to its tax payable contemplated in section 1132, for a taxation year ending after 26 April 1990, an amount equal to 15 % of that tax.”

Taxation
year
including
26 April
1990

Notwithstanding the foregoing, if the taxation year includes 26 April 1990, the amount to be added under this section shall be equal to the aggregate of

(a) the proportion of the amount that would be added under the first paragraph of section 1132.2, if that section applied to that taxation year, that the number of days in the year preceding 27 April 1990 is of the number of days in the year, and

(b) the proportion of the amount that would otherwise be added under the first paragraph that the number of days in the year following 26 April 1990 is of the number of days in the year.”

c. I-3,
s. 1135,
replaced

97. (1) Section 1135 of the said Act, replaced by section 210 of chapter 7 of the statutes of 1990, is again replaced by the following section:

Minimum
amount
of tax

“**1135.** In no case can the tax payable by a corporation other than a farming corporation, a corporation whose activities consist mainly in carrying on a fishing business, a corporation that operates only an international financial centre, a tax exempt corporation under sections 1143 and 1144 or the corporation governed by the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1) be less than \$115 nor can the tax payable by a farming corporation or a corporation whose activities consist mainly in carrying on a fishing business be less than \$57.50.”

(2) This section applies to taxation years ending after 26 April 1990.

c. I-3,
s. 1136, am.

98. (1) Section 1136 of the said Act is amended

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

“(b) the surpluses, provisions and reserves, including the deferred tax credit, except those for amortization or depletion and those permitted by Part I to the extent that they were deducted in computing income under that Part;”;

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

Corporation
having an
interest

“(3) A corporation having an interest in a partnership or in a joint venture must include in computing its paid-up capital the amounts that would be included in computing the paid-up capital of that partnership or joint venture under this section and sections 1137 and 1138 if that

partnership or joint venture were a corporation, in the proportion that its interest in the profits of the partnership or joint venture is of the interest of all the persons in the profits of the partnership or joint venture.”

(2) Paragraph 1 of subsection 1 is declaratory, except in respect of cases pending on 29 January 1990 and of notices of objection served on the Minister of Revenue on or before that date or after that date by reason of an extension of the period for serving the notice of objection granted under a judgment on a motion made before the Court of Québec on or before 29 January 1990.

(3) Paragraph 2 of subsection 1 applies in respect of partnerships or joint ventures whose fiscal period ends after 26 April 1990.

c. I-3,
s. 1138, am. **99.** (1) Section 1138 of the said Act, amended by section 212 of chapter 7 of the statutes of 1990, is again amended by replacing paragraph *b* of subsection 3 by the following paragraph:

“(b) the amount of the assets of a partnership or joint venture in the proportion that the interest of that corporation in the profits of the partnership or joint venture is of the interest of all the persons in the profits of the partnership or joint venture, minus the amount of that interest shown in the financial statements of the corporation.”

(2) This section applies in respect of partnerships or joint ventures whose fiscal period ends after 26 April 1990.

c. I-3,
s. 1140, am. **100.** (1) Section 1140 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the general reserve and other reserves and provisions, including the deferred tax credit, except those for amortization or depletion and those that are permitted by Part I provided that they were deducted in computing income under that Part;”.

(2) This section is declaratory, except in respect of cases pending on 29 January 1990 and of notices of opposition served on the Minister of Revenue on or before that date or after that date by reason of an extension of the period for serving the notice of objection granted under a judgment on a motion made before the Court of Québec on or before 29 January 1990.

c. I-3,
s. 1141, am. **101.** (1) Section 1141 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the provisions and reserves, including the deferred tax credit, except those for amortization and depletion and those

permitted by Part I provided that they were deducted in computing income under that Part;”.

(2) This section is declaratory, except in respect of cases pending on 29 January 1990 and of notices of opposition served on the Minister of Revenue on or before that date or after that date by reason of an extension of the period for serving the notice of objection granted under a judgment on a motion made before the Court of Québec on or before 29 January 1990.

c. I-3,
s. 1141.1,
am.

102. (1) Section 1141.1 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the provisions and reserves, including the deferred tax credit, except those for amortization and depletion and those permitted by Part I provided that they were deducted in computing income under that Part;”.

(2) This section is declaratory, except in respect of cases pending on 29 January 1990 and of notices of objection served on the Minister of Revenue on or before that date or after that date by reason of an extension of the period for serving the notice of objection granted under a judgment on a motion made before the Court of Québec on or before 29 January 1990.

c. I-3,
s. 1165, am.

103. (1) Section 1165 of the said Act, amended by section 216 of chapter 7 of the statutes of 1990, is again amended by replacing the second paragraph by the following paragraph:

Application
of s. 1027

“For the purposes of the first paragraph, section 1027 applies as if subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 were read without reference to the figure and word “115 % of” wherever they appear.”

(2) This section applies in respect of any payment to be made by a corporation after 25 April 1990 for a taxation year ending after 26 April 1990.

c. I-3,
s. 1167, am.

104. (1) Section 1167 of the said Act is amended by adding, after the fourth paragraph, the following paragraph:

Insurance
relating
to an
automobile

“Finally, where a contract of insurance relates to property that is an automobile within the meaning of the Automobile Insurance Act (R.S.Q., chapter A-25) and gives rise, in respect of a period, to a premium payable to an insurance corporation or its agent with respect to its business in Québec, the premium payable is deemed, for the purposes of computing the tax provided for in its respect under the

first paragraph, to be equal to such proportion of the amount of direct written premiums of the insurance corporation for the period relating to the aggregate of such contracts of insurance, as is represented by the ratio, established in respect of the period and without reference to this paragraph, between the premium payable and the aggregate, for all such contracts of insurance, of premiums payable to the insurance corporation or its agent with respect to its business in Québec.”

(2) This section has effect from 27 April 1986.

c. I-3,
s. 1175, am. **105.** (1) Section 1175 of the said Act, amended by section 217 of chapter 7 of the statutes of 1990, is again amended by replacing the second paragraph by the following paragraph:

Application
of s. 1027 “For the purposes of the first paragraph, section 1027 applies as if subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 were read without reference to the figure and word “115 % of” wherever they appear.”

(2) This section applies in respect of any payment to be made by an insurance corporation after 25 April 1990 for a twelve-month period ending after 26 April 1990.

c. M-31,
s. 30, am. **106.** (1) Section 30 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

Refund
owing to
a person “**30.** Where the Minister, by reason of the application of a fiscal law, makes a refund on which interest is payable or where, in accordance with section 31, he allocates the amount of such a refund to a payment that the person to whom the refund is owing must make under a fiscal law, that amount bears interest at the rate fixed under section 28.

Refund
owing to a
corporation Where the refund is owing to a corporation or allocated to another liability, the rate fixed under section 28 is reduced by two percentage points.

Computa-
tion
of interest That interest, pursuant to any Act referred to in the second paragraph of section 95, is computed, notwithstanding section 1052 of the Taxation Act (R.S.Q., chapter I-3), for the period ending on the day the amount is refunded and commencing,”.

(2) This section has effect from 1 October 1990.

c. R-5,
s. 34, am. **107.** Section 34 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5), amended by

section 229 of chapter 7 of the statutes of 1990, is again amended by replacing the second paragraph by the following paragraph:

Increase
after
26 April
1990

“Where wages are paid or deemed paid after 26 April 1990, the amount determined under the first paragraph in respect of such wages shall be increased by 15 %.”

c. R-5,
s. 34.0.1,
added

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

Deemed
employer

“**34.0.1** For the purposes of this division, where a particular employer pays wages in respect of which no employer would be bound, but for this section, to pay a contribution under section 34 and the person to whom the particular employer pays such wages is not required, in respect of those wages, to report for work at an establishment of the particular employer, the following rules apply:

(a) the particular employer is deemed to be an employer of the person to whom he pays the wages;

(b) the person to whom the wages are paid is deemed to be an employee of the particular employer.”

(2) This section applies in respect of wages paid after 26 April 1990.

c. R-9,
s. 50.1,
added

109. (1) The Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended by inserting, after section 50, the following section:

Deemed
employer

“**50.1** For the purposes of this title, where a person has made a payment that constitutes an income computed according to the provisions of Chapters I and II of Title II of Book III of Part I of the Taxation Act (R.S.Q., chapter I-3) and in respect of which the person who receives it, at the same time, is not required to report for work at an establishment of the payer and would not be bound, but for this section, to pay a contribution under section 50, the following rules apply:

(a) the person who makes the payment is deemed to be an employer of the person to whom he makes that payment;

(b) the person who receives the payment is deemed, in respect of that payment, at the same time,

i. to be an employee of the person who makes the payment;

ii. to carry out work in Québec.”

(2) This section applies in respect of payments made after 26 April 1990.

c. R-9,
s. 59, am. **110.** Section 59 of the said Act is amended by adding, at the end, the following paragraph:

Deduction
by employer **“He shall also make such a deduction where the payment of remuneration results from a judgment.”**

c. R-20.1,
s. 7.1,
replaced **111.** (1) Section 7.1 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1) is replaced by the following section:

Essential
needs **“7.1** The amount equivalent to essential needs contemplated in section 7 is equal to the aggregate of \$270 each for the person contemplated in section 2 and his spouse during the year, where such is the case.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1991 and for subsequent years.

c. R-20.1,
s. 8,
replaced **112.** (1) Section 8 of the said Act, replaced by section 230 of chapter 7 of the statutes of 1990, is again replaced by the following section:

Maximum
amount **“8.** The amount in excess mentioned first in section 7 must not be greater than \$1 150 for the year 1990 or than \$1 205 for subsequent years.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1990 and for subsequent years.

c. R-20.1,
s. 10, am. **113.** (1) Section 10 of the said Act, amended by section 231 of chapter 7 of the statutes of 1990, is again amended by replacing subparagraphs *a* to *c* of the first paragraph by the following subparagraphs:

“(a) \$7 570 if the person contemplated in section 2 has a spouse and a dependent person during the year;

“(b) \$6 560 if the person contemplated in section 2 has no spouse, but has a dependent person during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment within the meaning of section 1 of the Taxation Act (R.S.Q., chapter I-3) in which no person other than the person contemplated in section 2 or a dependent person lives during the year;

“(c) \$5 455 if the person contemplated in section 2 is not contemplated in subparagraphs *a* and *b*, and has a dependent person during the year; and”.

(2) This section applies in respect of the computation of real estate tax refunds for the year 1991 and for subsequent years.

c. R-20.1,
s. 14.2, am. **114.** Section 14.2 of the said Act, amended by section 233 of chapter 7 of the statutes of 1990, is again amended by replacing the first paragraph by the following paragraph:

Indexing **“14.2** The amounts of \$7 570, \$6 560 and \$5 455 mentioned in section 10 must be indexed annually so that each of these amounts to be used for a year subsequent to the year 1991 becomes that obtained by adding to that amount the amount obtained by multiplying by the same ratio as that prescribed for the purposes of section 752.0.20 of the Taxation Act (R.S.Q., chapter I-3) for the taxation year contemplated therein corresponding to that subsequent year, the amount that would have been applicable for that subsequent year but for this section.”

c. R-20.1,
s. 15,
replaced **115.** (1) Section 15 of the said Act is replaced by the following section:

Application
for refund **“15.** Every person who wishes to receive a real estate tax refund in respect of the dwelling in which he lives on 31 December in a year must make an application therefor to the Minister, in prescribed form,

(a) not later than 30 April in the following year;

(b) where the person was unable to meet the time limit fixed in paragraph *a*, within twelve months after the end of the time limit if the application sets out the reasons for the delay and if those reasons are satisfactory to the Minister.

Time of
filing He shall file his application at the same time as the fiscal return contemplated in section 1000 of the Taxation Act (R.S.Q., chapter I-3) that he is required to file or was required to file if tax was payable by him under Part I of the said Act, except in the case referred to in subparagraph *b* of the first paragraph, where he may file his application after having filed the return.”

(2) This section applies in respect of an application for a real estate tax refund made by a person in respect of a dwelling in which he lives on 31 December in the year 1989 or any subsequent year. However, where the first paragraph of section 15 of the Act respecting

real estate tax refund, enacted by this section, applies before 21 May 1991, the reference to “in prescribed form” shall read as a reference to “in the form prescribed by the latter”.

1990, c. 7,
s. 143, am.

116. Section 143 of the Act to amend the Taxation Act and other fiscal legislation (1990, chapter 7) is amended by replacing subsection 2 by the following subsection:

“(2) This section has effect from 17 May 1989.”

1990, c. 7,
s. 162, am.

117. Section 162 of the said Act is amended

(1) by replacing, in subsection 5, the first paragraph of section 1029.8.10 of the Taxation Act (R.S.Q., chapter I-3), enacted by the said subsection 5, by the following paragraph:

Pre-
competitive
research
and
catalyst or
environ-
mental
technology
innovation
projects

“**1029.8.10** A taxpayer, other than a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1, who carries on a business in Canada and has made an agreement with a person or partnership whereby the parties agree to undertake in Québec scientific research and experimental development, within the meaning of the regulations made pursuant to section 222, and in respect of which either the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1993 recognizing that the scientific research and experimental development will be undertaken as part of a pre-competitive research project, or, on or before that date, the scientific research and experimental development contemplated therein were the subject of a decision of the Cabinet recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project, is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken, as partial payment of his tax payable for the year pursuant to this Part, an amount equal to 40 % of the total or part of the expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, that he has made in Québec before 1 January 1996 and that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that year.”;

(2) by replacing, in subsection 5, the first paragraph of section 1029.8.11 of the Taxation Act, enacted by the said subsection 5, by the following paragraph:

Pre-
competitive
research
and

“**1029.8.11** Where a particular partnership carries on a business in Canada and has made an agreement with a person or

catalyst or
environ-
mental
technology
innovation
projects
carried out
by a part-
nership

partnership whereby the parties agree to undertake in Québec scientific research and experimental development within the meaning of the regulations made pursuant to section 222, and in respect of which either the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1993 recognizing that the scientific research and experimental development will be undertaken as part of a pre-competitive research project, or, on or before that date, the scientific research and experimental development contemplated therein were the subject of a decision of the Cabinet recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project, every taxpayer who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership were undertaken and who is not a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1 or a specified member of the partnership during the said fiscal period, is deemed to have paid to the Minister, for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or part of the expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, that the partnership has made in Québec before 1 January 1996 and that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that fiscal period.”

Coming into
force

118. This Act comes into force on 21 May 1991.