

1988, chapter 4

AN ACT TO AMEND THE TAXATION ACT AND OTHER FISCAL LEGISLATION

Bill 64

Introduced by Mr Yves Séguin, Minister of Revenue

Introduced 10 December 1987

Passage in principle 16 December 1987

Passage 29 March 1988

Assented to 31 March 1988

Coming into force: 31 March 1988

Acts amended:

Act respecting the Commission des affaires sociales (R.S.Q., chapter C-34)

Land Transfer Duties Act (R.S.Q., chapter D-17)

Retail Sales Tax Act (R.S.Q., chapter I-1)

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

Licenses Act (R.S.Q., chapter L-3)

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

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

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

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

Act respecting work income supplement (R.S.Q., chapter S-37.1)

Fuel Tax Act (R.S.Q., chapter T-1)

Meals and Hotels Tax Act (R.S.Q., chapter T-3)





CHAPTER 4

An Act to amend the Taxation Act and other fiscal legislation

[Assented to 31 March 1988]

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

c. C-34,
s. 30, am.

1. Section 30 of the Act respecting the Commission des affaires sociales (R.S.Q., chapter C-34) is amended by replacing the third paragraph by the following paragraph:

Referral of
matter to
court

“Where, during a suit before the pension plan division, a question is raised respecting Title III of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9), and subject to the exceptions contemplated in section 76 of the said Act, the Commission must order the referral of the matter to the court contemplated in section 222 of the said Act, for adjudication on the question. In that case, the secretary or the assistant-secretary shall notify the Minister of Revenue without delay in the manner prescribed by regulation.”

c. C-34,
s. 33, am.

2. Section 33 of the said Act is amended by striking out subparagraph 2 of the second paragraph.

c. D-17,
s. 42, am.

3. (1) Section 42 of the Land Transfer Duties Act (R.S.Q., chapter D-17) is amended

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

(2) by replacing paragraph *c* of subsection 1 by the following paragraphs:

“(c) the transferor and the transferee are both subsidiaries of the same parent corporation or subsidiaries of corporations that are subsidiaries of the same parent corporation; or

“(d) the transferor is a subsidiary of a parent corporation while the transferee is a subsidiary of a corporation which is a subsidiary of that parent corporation or the transferor is a subsidiary of a corporation which is a subsidiary of a parent corporation while the transferee is a subsidiary of that parent corporation.”

(2) This section has effect from 1 May 1987.

c. I-1, s. 2,
am.

4. (1) Section 2 of the Retail Sales Tax Act (R.S.Q., chapter I-1) is amended

(1) by replacing the period at the end of paragraph 19 by a semicolon;

(2) by adding, after paragraph 19, the following paragraph:

“cider”

“(20) “cider” means aperitif cider, strong cider and light cider, but does not include flavoured cider, within the meaning of the Regulation respecting cider (R.R.Q., 1981, chapter S-13, r. 1), as amended.”

(2) This section has effect from 1 May 1987.

c. I-1, s. 6,
am.

5. (1) Section 6 of the said Act is amended by striking out the second paragraph.

(2) This section has effect from 1 May 1987.

c. I-1, s. 7,
am.

6. (1) Section 7 of the said Act is amended by replacing the first paragraph by the following paragraph:

Purchases
outside
Québec

“**7.** Every person who carries on business or ordinarily resides in Québec and who brings or causes to be brought into Québec any movable property for use or consumption by himself or by another person at his expense or who purchases a movable property situated in Québec at a retail sale made outside Québec shall, on the date that the use or consumption of that property begins in Québec, pay a tax to the Minister at the rate provided in section 6 on the value of the property, except if such tax has been collected by the retailer.”

(2) This section has effect from 1 May 1987.

c. I-1, s. 7.1,
am.

7. (1) Section 7.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

Tax

“The person shall pay to the Minister a tax at the rate provided in section 6 on the additional items mentioned in the first paragraph on the date that the use or consumption of the property begins in Québec.”

(2) This section has effect from 1 May 1987.

c. I-1, s. 8,
am.

8. (1) Section 8 of the said Act is amended by replacing the first paragraph by the following paragraph:

Tax payable
upon use

“**8.** Every person who has purchased or produced a movable property in order to sell it or for one of the purposes provided in paragraph y of section 17 shall, on the date when he begins to use it or consume it in Québec for another purpose or arranges for its use or consumption in Québec at his expense by another person, pay a tax to the Minister at the rate provided in section 6 on the value of the property.”

(2) This section has effect from 1 May 1987.

c. I-1,
s. 10.1,
replaced

9. (1) Section 10.1 of the said Act is replaced by the following section:

Rolling-
stock

“**10.1** Every person who has purchased or produced in Québec or brought into Québec movable property contemplated in paragraph z of section 17 which is rolling-stock used solely elsewhere than on public roads for purposes of mining or forest operations, within the meaning of the regulations, excluding railway equipment, shall, at the time he begins to use the property for any other purpose or on a public road, pay a tax at the rate provided in section 6 on the market value of the property at that time.

Railway
equipment

The same applies in respect of a person who has purchased or produced in Québec or brought into Québec railway equipment used only in a quarry or mine for the purposes of working that quarry or mine when he begins to use the property for any other purpose or elsewhere than in that quarry or mine.”

(2) This section has effect from 1 May 1987.

c. I-1, s. 16,
am.

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

Non-
resident
contractor

“**16.** Every person having any work done in Québec by a contractor who has neither residence nor place of business therein shall, if the contractor does not furnish him with proof that he holds a registration certificate, withhold from the contract price an amount computed at

the rate provided in section 6 and report and remit it to the Minister without delay.”

(2) This section has effect from 1 May 1987.

c. I-1, Chap.
II, Div. III,
heading,
replaced

11. (1) The heading of Division III of Chapter II of the said Act is replaced by the following heading:

“COMPENSATION, EXEMPTIONS AND REIMBURSEMENTS”.

(2) This section has effect from 1 May 1987.

c. I-1, s. 17,
am.

12. (1) Section 17 of the said Act, amended by section 1 of chapter 21 of the statutes of 1987, is again amended

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

“(i) Livestock, metal wire or netting for fences, harness for horses, farm implements, tools, sugar bush or farm machinery, tractors, animal-drawn vehicles and parts for the same, sold to a *bona fide* sugar bush operator for the needs of his sugar bush or to a *bona fide* farmer for the needs of his farm; horses;”;

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

“(t) Sales of periodicals, printed books and updatings to them, advertising inserts or classroom supplies, or sales of talking books or related media acquired by a person because of a visual handicap;”;

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

“(y) Sales of movable property intended as components of any movable property intended for sale, sales of conditioning materials, that is, those which, except electricity, gas or fuel, are rapidly consumed or dissipated and are used to provide specific qualities to production equipment used according to the conditions set forth in paragraph *z* or to any movable property, other than a meal, intended for sale, and sales of movable property intended as components of such conditioning materials;”;

(4) by replacing paragraph *aa* by the following paragraph:

“(aa) Subject to section 19, sales of electricity, gas or fuel which a person of a category other than those determined by the Minister under section 20 uses to produce movable property other than meals and services including telephone service, intended for sale or for the design or production of production equipment or conditioning materials

used for the production of such movable property, either as an agent of production or to operate production equipment; this exemption does not apply to sales of electricity, gas or fuel used in equipment for the air conditioning, lighting, heating or ventilation of the production site;”;

(5) by replacing the period at the end of paragraph *al* by a semicolon;

(6) by adding, after paragraph *al*, the following paragraph:

“(am) To sales of infant and child restraint systems, for use in motor vehicles, which meet the requirements of the Motor Vehicle Safety Act (Statutes of Canada).”

(2) This section has effect from 1 May 1987.

c. I-1,
s. 20.9.1,
added

13. (1) The said Act is amended by inserting, after section 20.9, the following section:

Compensation

“**20.9.1** Where a person has paid the tax in respect of movable property used for the alteration, improvement, construction or repair of an immovable and another person obtains an amount under the Excise Tax Act (Statutes of Canada) for the same property, the latter person is entitled to compensation in an amount equal to the tax paid in respect of the amount that is paid to him.

Presumption

The compensation is deemed to be a repayment for the purposes of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).”

(2) This section applies in respect of amounts obtained under the Excise Tax Act (Statutes of Canada) after 30 April 1987.

c. I-1,
s. 20.15,
am.

14. (1) Section 20.15 of the said Act is amended by replacing the first paragraph by the following paragraph:

Insurance
premium

“**20.15** Every person subject to the tax shall, when paying an insurance premium, pay a tax equal to 9% of the premium or, in the case of an automobile insurance premium, a tax equal to 5% of the premium.”

(2) This section has effect from 1 May 1987.

c. I-1,
s. 20.24.1,
added

15. (1) The said Act is amended by inserting, after section 20.24, the following section:

Automobile
insurance
premium

“**20.24.1** An automobile insurance premium is the premium exigible under a policy contemplated in article 2479 of the Civil Code of Lower Canada or a similar policy.”

(2) This section has effect from 1 May 1987.

c. I-1,
s. 20.26,
am.

16. (1) Section 20.26 of the said Act is amended by adding, after the third paragraph, the following paragraph:

Payment of
premium

“A person who, before 1 January 1988, collects a tax equal to 9% of an automobile insurance premium upon payment of the premium may reimburse the excess tax collected and deduct the reimbursement from the tax collected in the month.”

(2) This section has effect from 1 May 1987.

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

17. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 7 of chapter 21 of the statutes of 1987 and by section 4 of chapter 67 of the statutes of 1987, is again amended by inserting, after the definition of the expression “life insurer”, the following definition:

“limited
partnership
loss”

“ “limited partnership loss” in respect of the partnership has the meaning assigned by section 613.1;”.

(2) This section has effect from 26 February 1986.

c. I-3, s. 22,
am.

18. (1) Section 22 of the said Act is amended by replacing the second paragraph by the following paragraph:

Tax payable

“Subject to section 776.43, the tax payable by an individual contemplated in the first paragraph, carrying on a business outside Québec in Canada, is equal to the proportion of the tax established under sections 750 to 752 and 758 to 767 that his income earned in Québec is of his income earned in Québec and elsewhere, as established by the regulations.”

(2) This section applies to taxation years commencing after 31 December 1985.

c. I-3, s. 25,
am.

19. (1) Section 25 of the said Act, amended by section 9 of chapter 21 of the statutes of 1987, is again amended by replacing the second paragraph by the following paragraph:

Amount of
tax

“Subject to section 776.43, such tax is equal to the proportion of the tax that the individual would pay under sections 750 to 752 and 758 to 767 on his taxable income as it would be determined under section 24 if he were resident in Québec, that his income earned in Québec is of the excess of what his income would have been if he had resided in Québec on the last day of the taxation year over any amount he deducted under section 737.16 or 737.21 in computing such taxable

income. However, such tax must not exceed the amount that the individual would pay if he were resident in Québec.”

(2) This section applies from the taxation year 1987, except that where, in replacing the second paragraph of section 25 of the Taxation Act, it adds thereto the phrase “Subject to section 776.43,” it applies to taxation years commencing after 31 December 1985.

c. I-3, s. 26,
am.

20. (1) Section 26 of the said Act is amended by replacing the second paragraph by the following paragraph:

Computation
of tax

“Subject to section 776.43, such tax is equal to the proportion of the tax that the individual would pay under sections 750 to 767 on his taxable income earned in Canada, as determined under Part II, if that individual were resident in Québec, that his income earned in Québec is of his income earned in Canada as determined under section 1090. However, such tax must not exceed the amount that the individual would pay on his income earned in Canada if he were resident in Québec.”

(2) This section applies to taxation years commencing after 31 December 1985.

c. I-3, s. 48,
replaced

21. (1) Section 48 of the said Act, replaced by section 9 of chapter 67 of the statutes of 1987, is again replaced by the following section:

Sale or
issue of
shares to
employees

“**48.** This division applies where a particular corporation agrees to sell or issue a share of its capital stock or of the capital stock of a corporation with which it does not deal at arm’s length to one of its employees or an employee of a corporation with which it does not deal at arm’s length and where the share is acquired or rights under the agreement are assigned or disposed of, as the case may be, after 31 December 1986.”

(2) This section has effect from 1 January 1987.

c. I-3,
ss. 49-49.2,
replaced

22. (1) Section 49 of the said Act, section 49.1, amended by section 10 of chapter 67 of the statutes of 1987 and section 49.2, amended by section 11 of chapter 67 of the statutes of 1987, are replaced by the following sections:

Benefit
deemed
received by
employee

“**49.** Subject to sections 49.1 and 49.2, an employee acquiring a share after 31 December 1986 under the agreement contemplated in section 48 is deemed to receive by reason of his office or employment, in the taxation year in which he acquires the share, a benefit equal to the amount by which the value of the share at the time he acquires it exceeds the amount paid or to be paid by him to the corporation for the share.

Disposition
or exchange
of shares

“49.1 In section 49, the words “in which he acquires the share” shall be read as the words “in which he disposes of or exchanges the share” where

(a) the amount which the employee must pay to acquire the share is equal to or greater than the fair market value of the share at the time the agreement is made;

(b) the share is acquired after 31 December 1986 by an employee who, immediately after the agreement contemplated in section 48 was made, was dealing at arm’s length with the particular corporation contemplated in section 48, with the corporation shares of the capital stock of which were agreed to be sold or issued by the particular corporation contemplated in section 48, and with the corporation of which he is an employee;

(c) the share is contemplated in subparagraph ii of paragraph *d* of subsection 1 of section 110 of the Income Tax Act (Statutes of Canada) at the time of its sale or issue, as the case may be.

Disposition
or exchange
of shares

“49.2 In section 49, the words “in which he acquires the share” shall be read as the words “in which he disposes of or exchanges the share” where

(a) the agreement contemplated in section 48 is made with a particular Canadian-controlled private corporation that has agreed to sell or issue a share of its capital stock or of the capital stock of a Canadian-controlled private corporation with which it is not dealing at arm’s length, to one of its employees or to an employee of a Canadian-controlled private corporation with which it does not deal at arm’s length;

(b) the share is acquired after 31 December 1986 by an employee who, immediately after the agreement was made, was dealing at arm’s length with the particular corporation, the Canadian-controlled private corporation the share of the capital stock of which has been agreed to be sold or issued by the particular corporation and with the Canadian-controlled private corporation of which he is an employee.”

(2) This section has effect from 1 January 1987.

c. I-3, s. 68,
am.

23. (1) Section 68 of the said Act, amended by section 15 of chapter 67 of the statutes of 1987, is again amended

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

(2) by replacing the period at the end of paragraph *f* by a semicolon;

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

“(g) annual dues the payment of which is required for membership in an artistic association recognized by the Minister on the recommendation of the Minister of Cultural Affairs.”

(2) This section applies from the taxation year 1987.

c. I-3, s. 69,
replaced

24. (1) Section 69 of the said Act, replaced by section 16 of chapter 67 of the statutes of 1987, is again replaced by the following section:

Dues not
deductible

“**69.** Notwithstanding paragraphs *a*, *b* and *d* to *g* of section 68, the dues contemplated therein are not allowable to the extent that they are in fact collected under a retirement, annuities or insurance plan or one for similar benefits or for any other purpose not directly connected with the ordinary operations of the committee or similar body, association or body to which they are paid.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 72.1,
added

25. (1) The said Act is amended by inserting, after section 72, the following section:

Deductible
amount

“**72.1** An individual may deduct the portion, in excess of \$5 500, of the aggregate of the contributions, other than voluntary contributions that he pays in the year to or under a registered pension plan in respect of services rendered by him in the year where his pension entitlement under the plan is determined without reference to the amount accumulated or contributed thereunder.”

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

c. I-3,
s. 114, am.

26. (1) Section 114 of the said Act is amended by replacing the second paragraph by the following paragraph:

Provision
not to apply

“Nor does section 113 apply if such arrangements are made and the indebtedness is incurred by an employee of the lender or creditor or an eligible employee contemplated by section 15.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) to enable or assist the employee to acquire an automobile to be used by him in the performance of the duties of his office or employment, or, where the lender or creditor is a corporation, to acquire for himself from the corporation fully paid shares of the capital stock of the corporation, to acquire from a corporation related thereto fully paid shares of the capital stock of the related corporation, or to acquire from a Québec business investment company fully paid common shares with full voting rights of the capital stock of the company within the scope of a stock ownership plan contemplated in section 15.1 of the

said Act, to be held by him for his own benefit, or by a person who is an employee of the creditor or the spouse of such an employee to enable or assist that person to acquire a dwelling for his habitation.”

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

c. I-3
s. 157.4.2,
added

27. (1) The said Act is amended by inserting, after section 157.4.1, the following section:

Québec film

“157.4.2 Notwithstanding sections 157.4 and 157.4.1, no amount may be deducted under those sections in computing the income of a taxpayer in respect of a film certified as a Québec film, within the meaning of the regulations under section 130, acquired after 31 December 1986, except in respect of the first purchaser of such a film certified as a Québec film by the Société générale du cinéma du Québec not later than 31 December 1987 where

(a) production work on the film was sufficiently advanced on 11 December 1986, or

(b) the sums collected for that purpose were collected through the sale of units in respect of which the receipt for the final prospectus was issued not later than 31 December 1986 and the receipt for the preliminary prospectus was issued before 11 December 1986.”

(2) This section applies to films acquired after 31 December 1986.

c. I-3,
s. 229.1,
added

28. (1) The said Act is amended by adding, after section 229, the following section:

Expendi-
tures for
scientific re-
search and
experimen-
tal develop-
ment

“229.1 For the purposes of section 222 or 223, where expenditures in respect of scientific research and experimental development made by a partnership are not contemplated by those sections for the sole reason that the scientific research and experimental development in respect of which the expenditures are made are not related to the business or the class of business of the partnership, such expenditures made by the partnership are deemed to be expenditures contemplated by those sections where

(a) the partnership is, throughout the period in which the expenditures for the scientific research and experimental development are made, related to another partnership or a taxpayer carrying on a business in Canada;

(b) the scientific research and experimental development relate to the business or class of business of the other corporation or of the taxpayer contemplated in paragraph a;

(c) the other partnership or the taxpayer contemplated in paragraph *a* is entitled to exploit the results of such scientific research and experimental development.”

(2) This section applies in respect of expenditures made after 30 April 1987.

c. I-3,
s. 257, am.

29. (1) Section 257 of the said Act, amended by section 65 of chapter 67 of the statutes of 1987, is again amended by replacing subparagraph *i* of paragraph *l* by the following subparagraphs:

“*i.* an amount in respect of each fiscal period of the partnership ending after 31 December 1971 and before the particular time, equal to the taxpayer’s share, other than a share under an agreement referred to in section 608, of any loss of the partnership from any source for that fiscal period, computed as if this Part were construed without reference to the words “one-half of” in section 105, as it applied to each fiscal period of the partnership ending before 1 April 1977, and in sections 107 and 231, and as if sections 89 to 91, 144, 144.1, 145, 205 to 207, 235, 236.2 to 241, 264, 271, 273, 288, 293, 308 to 308.6, 425 and 744.1 and paragraph *j* of section 157, paragraphs *g* and *h* of section 489 and the second paragraph of section 741 did not exist, except to the extent that all or a portion of such a loss may reasonably be considered to have been included in the taxpayer’s limited partnership loss in respect of the partnership for his taxation year in which that fiscal period ended;

“*i.1* an amount in respect of each fiscal period of the partnership ending before the particular time that is the taxpayer’s limited partnership loss in respect of the partnership for the taxation year in which that fiscal period ends to the extent that such loss was deducted by the taxpayer in computing his taxable income for any taxation year that commenced before the particular time;”.

(2) This section has effect from 26 February 1986.

c. I-3,
s. 312, am.

30. (1) Section 312 of the said Act, amended by section 77 of chapter 67 of the statutes of 1987, is again amended by replacing the part of paragraph *h* that precedes subparagraph *i* by the following:

Research
grants

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

(2) This section applies to grants received after 31 December 1985. However, where it applies to grants received in 1986, the part of paragraph *h* of section 312 of the Taxation Act that precedes subparagraph *i* and that is enacted by this section shall be read as follows:

Research
grants

“(h) the excess of an amount received as a grant to carry on research or any similar work over the expenses the taxpayer incurred for that purpose in the year, as well as those he incurred for that purpose in the year following the year in which the grant is received, to the extent that those expenses did not reduce an amount received as a grant for another year, other than”.

c. I-3,
s. 352,
replaced

31. (1) Section 352 of the said Act is replaced by the following section:

Restrictions

“**352.** For the purposes of paragraph *b* of section 351, child care expenses shall not include expenses incurred in the year for lodging at a boarding school or camp which exceed the total amount of \$ 70 per week for each child who is six years of age or under on 30 September or 31 December of that year or would have been had he then been living and \$ 35 per week for any other child, or the medical expenses contemplated in sections 717 to 721 or other expenses for medical or hospital care, clothing, transport or education or for board or lodging other than those provided in the said paragraph *b*.”

(2) This section applies from the taxation year 1987.

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

32. (1) Section 354 of the said Act is amended by replacing subparagraph *i* of paragraph *a* by the following subparagraph:

“i. the aggregate of \$3 640 for the taxation year 1987 or \$3 770 from the taxation year 1988 per eligible child of the individual for the year who is under six years of age on 30 September or 31 December of that year or would have been had he then been living and in respect of whom the expenses were incurred, and of \$1 820 for the taxation year 1987 or \$1 885 from the taxation year 1988 for any other eligible child of the individual for the year in respect of whom the expenses were incurred; and”.

(2) This section applies from the taxation year 1987.

c. I-3,
s. 355, am.

33. (1) Section 355 of the said Act is amended by replacing the part of paragraph *b* that precedes subparagraph *i* by the following:

“(b) an amount equal to the aggregate of \$70 per week for each eligible child of the individual for the year who is under six years of age on 30 September or 31 December of that year or would have been

had he then been living and in respect of whom such child care expenses are incurred, and of \$35 per week for any other eligible child of the individual for the year in respect of whom such child care expenses are incurred, for each week in the year during which child care expenses were incurred and throughout which the supporting person of a child of the individual was”.

(2) This section applies from the taxation year 1987.

c. I-3, chap.
IX.1 and ss.
358.1-358.12,
added

34. (1) The said Act is amended by inserting, before Chapter X of Title VI of Book III of Part I, the following chapter:

“CHAPTER IX.1

“ADDITIONAL ALLOWANCES IN RESPECT OF EXPENDITURES FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

“DIVISION I

“ADDITIONAL ALLOWANCE IN RESPECT OF CERTAIN EXPENDITURES FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

Computation
of deduc-
tions

“358.1 An individual may deduct, in computing his income for a taxation year, an amount not exceeding the amount by which 33 1/3 % of the expenditures deductible under subsection 1 of section 222 or paragraph *a* of section 223 made by him in Québec in the year or in a previous taxation year, in carrying on a business in Canada, on scientific research and experimental development, within the meaning of the regulations made under section 222, undertaken in Québec by him or on his behalf, except expenditures deductible under section 358.10, exceeds the aggregate of all amounts deducted by him under this section in computing his income for a previous taxation year.

Computation
of deduc-
tions

“358.2 An individual may also deduct in computing his income for a taxation year in which a fiscal period of a partnership of which he is a member ends and in which scientific research and experimental development within the meaning of the regulations made under section 222 are undertaken or for a subsequent year, an amount not exceeding the amount by which

(*a*) 33 1/3 % of his share of the expenditures deductible under subsection 1 of section 222 or paragraph *a* of section 223 made by the partnership in Québec, in carrying on a business in Canada, in a fiscal period of the partnership if he was a member of the partnership at the end of that fiscal period, for that scientific research and experimental development undertaken in Québec by or on behalf of the partnership, except expenditures deductible under section 358.11, exceeds

(b) the aggregate of all amounts deducted by him under this section in computing his income for a previous taxation year.

Limited
partner

Notwithstanding the foregoing, subject to section 358.12, where an individual contemplated in the first paragraph is at any time in a taxation year a limited partner of a partnership within the meaning of section 613.6, his share of the expenditures contemplated in subparagraph *a* of the first paragraph made by the partnership in the fiscal period ending in the year must not exceed the amount by which the at-risk amount of his interest determined in respect of the partnership pursuant to sections 613.2 to 613.5 at the end of the fiscal period exceeds the amount used as the basis for computing, in respect of that fiscal period, the amount he may deduct under section 358.11.

Expendi-
tures for
scientific re-
search and
experimen-
tal develop-
ment

For the purposes of this section, where expenditures in respect of scientific research and experimental development made by a partnership are not contemplated in subparagraph *a* of the first paragraph for the sole reason that the scientific research and experimental development in respect of which the expenditures are made are not related to the business or the class of business of the partnership, the expenditures made by the partnership are deemed to be expenditures contemplated by such subparagraph *a* where

(a) the partnership is, throughout the period in which the expenditures for the scientific research and experimental development are undertaken, associated with another partnership no member of which is a corporation referred to in section 984 or 985 or with a taxpayer other than a corporation referred to in one of such sections, that carries on a business in Canada;

(b) the scientific research and experimental development are related to the business or class of business of the other partnership or of the taxpayer contemplated in subparagraph *a* of this paragraph;

(c) the other partnership or the taxpayer contemplated in subparagraph *a* of this paragraph is entitled to exploit the results of such scientific research and experimental development.

Expendi-
tures of a
capital na-
ture

“358.3 For the purposes of this division, the expenditures of a capital nature contemplated in paragraph *a* of section 223 made in Québec by an individual in a taxation year or by a partnership in a fiscal period include only expenditures to acquire, in the year or fiscal period, property, other than land, to be used in Québec within a reasonable time after it is acquired.

Expendi-
tures for
scientific re-
search and
experimen-
tal develop-
ment

“358.4 For the purposes of this division, the expenditures in respect of scientific research and experimental development made by an individual or a partnership in a taxation year or a fiscal period, as the case may be, include, so far as prescribed by regulation under section

224, an amount not exceeding the expenditures made by the individual or the partnership, as the case may be, in the taxation year or fiscal period by way of repayment of amounts paid to the individual or partnership in respect of scientific research and experimental development undertaken in Québec after 30 April 1987 for the purpose of advancing or sustaining the technological capability of a Canadian industry.

“DIVISION II

“ADDITIONAL DEDUCTION FOR UNIVERSITY RESEARCH

“§ 1.—*Interpretation*

Interpreta-
tion

“**358.5** In this division,

“*university
researcher*”

(a) “university researcher” means an individual who is a professor with at least full professor status at a Québec university;

“*university
research
contract*”

(b) “university research contract” means a contract that an individual or a partnership, carrying on a business in Canada, enters into between 30 April 1987 and 1 January 1991 with an eligible university entity, whereunder the latter binds itself to make in Québec, before 1 January 1993, on behalf of the individual or the partnership, expenditures in respect of scientific research and experimental development directly undertaken by the entity, related to the business or class of business of the individual or partnership or of the other partnership or the taxpayer contemplated in the third paragraph of section 358.11 with whom the partnership is associated, where the latter are entitled to exploit the results thereof;

“*specified
employee*”

(c) “specified employee” means an individual who, at a particular time during the term of a university research contract, is

i. an employee of the individual or partnership having entered into the university research contract;

ii. an employee of a person or partnership related to the individual or partnership contemplated in subparagraph i;

iii. an individual who ceased to be an employee contemplated in subparagraph i or ii less than six months previously;

“*eligible
university
entity*”

(d) “eligible university entity” means a university researcher, a university research team, a Québec university or any other prescribed body;

*“university
research
team”*

(e) “university research team” means a group of individuals no member of which is a specified employee at any time during the term of a university research contract entered into by the group, and which is composed of

i. university researchers, or

ii. at least one university researcher and employees of a Québec university or of a research centre or laboratory centre attached to a Québec university;

*“tax-exempt
individual”*

(f) “tax-exempt individual” means a trust one of the capital or income beneficiaries of which is a person exempt from tax pursuant to Book VIII of this Part or a tax-exempt corporation within the meaning of paragraph *d* of section 1029.8.1;

*“scientific
research and
experimental
development”*

(g) “scientific research and experimental development” means scientific research and experimental development within the meaning of the regulations under section 222.

“§ 2.—General

*Research
contract*

“**358.6** For the purposes of paragraph *b* of section 358.5, where a research contract was entered into before 1 May 1987 with an entity which, after 30 April 1987, is an eligible university entity, where expenditures on scientific research and experimental development were to be made under the research contract, and where, subsequently to that research contract, another research contract, which would be a university research contract but for this section, is entered into, that other research contract is deemed, if the Minister so decides, not to be a university research contract if it may reasonably be considered to relate to expenditures on scientific research and experimental development covered by the earlier research contract entered into before 1 May 1987 and if the other research contract is entered into with

(a) the individual or partnership having entered into the earlier research contract, or

(b) a person or partnership related to the individual or partnership contemplated in paragraph *a*.

*Expendi-
tures on
scientific re-
search and
experimen-
tal develop-
ment*

“**358.7** For the purposes of this division, expenditures on scientific research and experimental development

(a) do not include expenditures made to acquire rights in, or arising out of, scientific research and experimental development;

(b) include only the following expenditures made before 1 January 1993:

i. expenditures each of which was an expenditure made for and all or substantially all of which were attributable to the prosecution, or to the provision of premises, facilities or equipment for the prosecution, of scientific research and experimental development in Québec;

ii. expenditures of a current nature that were directly attributable, as determined by regulation under subparagraph ii of paragraph *b* of the first paragraph of section 230, to the prosecution, or to the provision of premises, facilities or equipment for the prosecution, of scientific research and experimental development in Québec.

Expendi-
tures of a
capital
nature

“358.8 For the purposes of this division, expenditures of a capital nature made by an eligible university entity in a taxation year of an individual or during a fiscal period of a partnership include only expenditures made to acquire, in the year or during the fiscal period, property other than land intended to be used in Québec within a reasonable time after it is acquired.

Scientific
research
and ex-
perimental
development

“358.9 For the purposes of this division, scientific research and experimental development relating to a business or class of business includes any scientific research and experimental development that may lead to or facilitate an extension of that business or class of business.

“§ 3.—Allowances

Deductible
amount

“358.10 An individual other than a tax-exempt individual may deduct, in computing his income for a taxation year, an amount not greater than the amount by which $66 \frac{2}{3} \%$ of the whole or that part of the amount which he paid, in carrying on a business in Canada, in the year or in a previous taxation year but before 1 January 1993, to an eligible university entity under a university research contract and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, for scientific research and experimental development which the eligible university entity made in Québec under the university research contract, exceeds the aggregate of all amounts deducted by him under this section in computing his income for a previous taxation year.

Deductible
amount

“358.11 An individual other than a tax-exempt individual may also deduct, in computing his income for a taxation year in which the fiscal period of a partnership of which he is a member ends and in which scientific research and experimental development is carried on, or for a subsequent taxation year, an amount not greater than the amount by which

(a) 66 2/3 % of his share in the whole or the part of an amount which the partnership paid, in carrying on a business in Canada, in that fiscal period but before 1 January 1993 if he was a member of the partnership at the end of that fiscal period, to an eligible university entity under a university research contract and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223 for such scientific research and experimental development made in Québec by the eligible university entity under a university research contract, exceeds

(b) the aggregate of all amounts deducted by him under this section in computing his income for a previous taxation year.

Limited
partner

Notwithstanding the foregoing and subject to section 358.12, where an individual contemplated in the first paragraph is, at any time in a taxation year, a limited partner of a partnership within the meaning of section 613.6, his share in the whole or part of an amount which the partnership paid during the fiscal period ending in the year must not exceed his at-risk amount in respect of the partnership interest determined under sections 613.2 to 613.5 at the end of the fiscal period.

Payment by
partnership

For the purposes of this division, where an amount paid by a partnership to an eligible university entity under a university research contract is not contemplated in subparagraph *a* of the first paragraph for the sole reason that the scientific research and experimental development in respect of which the amount is paid is not related to the business or class of business of the partnership, the amount paid by the partnership is deemed to be an amount contemplated in such subparagraph *a* where

(a) the partnership is, throughout the period in which the expenditures for the scientific research and experimental development are made, associated with another partnership no member of which is an excluded corporation within the meaning of paragraph *d* of section 1029.8.1 or a tax-exempt individual or with a taxpayer that is not a tax-exempt corporation within the meaning of such paragraph *d* or a tax-exempt individual, that carries on a business in Canada;

(b) the scientific research and experimental development are related to the business or class of business of the other partnership or of the taxpayer contemplated in subparagraph *a* of this paragraph;

(c) the other partnership or the taxpayer contemplated in subparagraph *a* of this paragraph is entitled to exploit the results of such scientific research and experimental development.

“DIVISION III

“RESTRICTION IN RESPECT OF ADDITIONAL ALLOWANCES

Advance
ruling

“**358.12** An individual contemplated in the second paragraph of section 358.2 or 358.11 shall not deduct any amount in respect of expenditures of a partnership contemplated in one or the other of such sections, unless a favourable advance ruling has been given by the Ministère du Revenu regarding the proposed financing for those expenditures either before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, as the case may be, relating to the acquisition of his interest in the partnership, or before the date of subscription for such interest in other cases.”

(2) This section, where it enacts sections 358.1 to 358.4 of the Taxation Act, applies in respect of expenditures made after 30 April 1987.

(3) This section, where it enacts sections 358.5 to 358.12 of the Taxation Act, has effect from 1 May 1987.

c. I-3,
ss. 487.5.1-
487.5.4,
added

Computation
of benefit

35. (1) The said Act is amended by inserting, after section 487.5, the following sections:

“**487.5.1** For the purposes of computing the benefit under section 487.1 in a taxation year in respect of a debt contracted for a home purchase loan or a home relocation loan and for the purposes of section 725.6, the amount of the aggregate of all interest on all such debts computed at the prescribed rate on each such debt for the period in the year during which it was outstanding shall not exceed the amount of interest that would have been determined thereunder if it had been computed at the rate of 8 % in the case of a debt contracted before 1 May 1987 or, in any other case, at the prescribed rate in effect at the time the debt was contracted.

Debt

“**487.5.2** For the purposes of sections 487.1 to 487.6, other than paragraph *b* of section 487.5, where a debt, other than a prescribed debt,

contracted for a home purchase loan or a home relocation loan of an individual has a term for repayment exceeding five years, the balance outstanding on the debt on the date that is five years from the day the debt was contracted or was last deemed by this section to have been contracted is deemed to be a new debt contracted for a home purchase loan on that date.

“home purchase loan”

“487.5.3 For the purposes of sections 487.1 to 487.6, the expression “home purchase loan” means that portion of any debt contracted by an individual in the circumstances described in sections 487.1 and 487.2 that is used to acquire, or to repay a debt that had been contracted to acquire, a dwelling for the habitation of any of the persons contemplated in section 487.5.4, or that is used to repay a home purchase loan.

Persons referred to in s.487.5.3

“487.5.4 The persons referred to in section 487.5.3 are the following:

(a) the individual by virtue of whose office or employment the debt is contracted;

(b) a specified shareholder of the corporation by virtue of whose services the debt is contracted;

(c) a person related to a person described in paragraph *a* or *b*.

(2) This section has effect from 1 May 1987.

c.I-3,
s. 503.0.1,
added

36. The said Act is amended by inserting, after section 503, the following section:

Dividend payable by corporation

“503.0.1 Where a corporation has made an election under one or another of sections 502, 1106, 1113 and 1116 in respect of the total amount of a dividend payable by the corporation at a particular time and has later made a valid prescribed election in respect of that dividend, the prescribed rules arising from the prescribed election also apply, adapted as required, for the purposes of this Act and the corporation having made the latter election shall, upon or before making the election, inform the Minister in prescribed manner and form and send him the prescribed documents.”

c. I-3,
s. 503.2,
added

37. The said Act is amended by inserting, after section 503.1, the following section:

Dividend payable by corporation

“503.2 Where a corporation has made an election under section 502 in respect of the total amount of a dividend payable by the

corporation at a particular time after 3 December 1985 and before 1 January 1986 and has later made a valid prescribed election in respect of that dividend, the following rules apply:

(a) the whole or the part of the dividend for which the prescribed election was made is, for the purposes of this Part, deemed to be not a dividend but a loan in respect of which sections 111 to 119.1 and 487.1 to 487.5.4 do not apply, made at the particular time by the corporation to the persons who received the whole or a part of the dividend if the full amount of the loan is repaid to the corporation according to the prescribed terms and conditions;

(b) the corporation shall upon or before making the prescribed election notify the Minister in prescribed manner and form and send him the prescribed documents."

c. I-3,
s. 547.1,
am.

38. (1) Section 547.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

Deemed
continuance
of corporate
existence

"547.1 For the purposes of determining either the non-capital loss, the net capital loss, the restricted farm loss, the farm loss or the limited partnership loss, as the case may be, of the new corporation for any taxation year, or the extent to which sections 734 to 736.0.4 have the effect of restricting the deductibility by the new corporation of such a loss, the new corporation is deemed to continue the corporate existence of any predecessor corporation."

(2) This section has effect from 26 February 1986.

c. I-3,
s. 564.2,
replaced

39. (1) Section 564.2 of the said Act is replaced by the following section:

Computation
of taxable
income of
parent

"564.2 For the purposes of computing the taxable income of the parent for any taxation year commencing after the commencement of a winding-up described in section 556 or that would be if the expression "taxable Canadian corporation" were replaced by the expression "Canadian corporation", such portion of any non-capital loss, restricted farm loss, farm loss or limited partnership loss of the subsidiary for a particular taxation year as may reasonably be regarded as its loss from carrying on a particular business, any other portion of any non-capital loss or limited partnership loss of the subsidiary for any such year as may reasonably be regarded as being derived from any other source or any other portion of any non-capital loss of the subsidiary for any such year as may reasonably be regarded as being due to an amount added to its taxable income under section 726.5 or the net capital

loss sustained by the subsidiary for any such year is deemed, for the purposes of sections 727, 728.2, 729, 731, 733.0.0.1, 734 and 735, to be a non-capital loss, restricted farm loss, farm loss or limited partnership loss of the parent from carrying on a particular business of the subsidiary, a non-capital loss or limited partnership loss of the parent from the source from which the subsidiary sustained such portion of a non-capital loss or limited partnership loss, a non-capital loss of the parent due to an amount added to its taxable income under section 726.5 or a net capital loss, respectively, sustained by the parent for its taxation year during which the particular taxation year of the subsidiary ended and that was not deductible in computing the taxable income of the parent for any taxation year that commenced before the commencement of the winding-up.”

(2) This section has effect from 26 February 1986.

c. I-3, Chap.
II.1 and ss.
613.1-613.10,
added

40. (1) The said Act is amended by inserting, after section 613, the following chapter:

“CHAPTER II.1

“TAXPAYER’S AT-RISK AMOUNT

Limited
partner

“613.1 Notwithstanding section 600, where a taxpayer is, at any time in a taxation year, a limited partner of a partnership, the amount, if any, by which the aggregate of all amounts each of which is his share of the amount of any loss of the partnership for a fiscal period of the partnership ending in the taxation year from a business, other than a farming business, or from property exceeds the amount determined under the second paragraph shall not be deducted in computing his income for the year, shall not be included in computing his non-capital loss for the year, and shall be deemed to be his limited partnership loss in respect of the partnership for the year.

Amount re-
ferred to in
first para-
graph

The amount referred to in the first paragraph is the amount, if any, by which the at-risk amount of the taxpayer in respect of the partnership at the end of its fiscal period exceeds the aggregate of

(a) the amount required by subsection 8 of section 127 of the Income Tax Act (Statutes of Canada) in respect of the partnership to be added in the year in computing the investment tax credit of the taxpayer for the year within the meaning assigned to that expression by the said Act for the purposes of the said subsection;

(b) the taxpayer’s share of any losses of the partnership for the fiscal period from a farming business; and

(c) the taxpayer's share of the foreign exploration and development expenses, Canadian exploration expense, Canadian development expense and Canadian oil and gas property expense incurred by the partnership in the fiscal period.

At-risk
amount

“613.2 For the purposes of sections 600, 603 to 605, 608 to 613.10 and 727 to 737, the at-risk amount of a taxpayer, in respect of a partnership of which he is a limited partner, at any particular time is the amount, if any, by which the amount determined under section 613.3 is exceeded by the aggregate of

(a) the adjusted cost base to the taxpayer of his partnership interest at that time, computed in accordance with section 613.5, where applicable;

(b) where the particular time is the end of the fiscal period of the partnership, the taxpayer's share of the income of the partnership from a particular source for that fiscal period computed under the method described in subparagraph i of paragraph i of section 255.

Computation

“613.3 The amount referred to in section 613.2 is equal to the aggregate of the following amounts:

(a) the aggregate of all amounts each of which is an amount owing at the particular time to the partnership or to a person or partnership with whom the partnership does not deal at arm's length by the taxpayer or by a person with whom the taxpayer does not deal at arm's length; and

(b) where the taxpayer or a person with whom the taxpayer does not deal at arm's length is entitled, either immediately or in the future, either absolutely or contingently, to receive or obtain any amount or benefit, whether by way of reimbursement, compensation, revenue guarantee or proceeds of disposition or in any other form or manner whatever, granted or to be granted for the purpose of reducing the impact, in whole or in part, of any loss that the taxpayer may sustain by virtue of his being a member of the partnership or by virtue of his holding or disposing of his partnership interest, the amount or benefit, as the case may be, that the taxpayer or the person is or will be so entitled to receive or obtain, except to the extent that the entitlement arises

i. by virtue of a contract of insurance with an insurance corporation dealing at arm's length with each member of the partnership under which the taxpayer is insured against any claim arising as a result of a liability incurred in the ordinary course of carrying on the partnership business;

ii. by virtue of a prescribed revenue guarantee in respect of a prescribed film production;

iii. as a consequence of the death of the taxpayer;

iv. by virtue of an agreement under which the taxpayer may dispose of the partnership interest for an amount not exceeding its fair market value, determined without reference to the agreement, at the time of the disposition;

v. by virtue of a revenue guarantee or other agreement in respect of which gross revenue is earned by the partnership except to the extent that the revenue guarantee or other agreement may reasonably be considered to ensure that the taxpayer or person will receive a return of a portion of the taxpayer's investment; or

vi. in respect of an amount not included in the at-risk amount of the taxpayer in respect of the partnership determined without reference to this paragraph.

Agreement
or arrange-
ment

“613.4 For the purposes of sections 613.2 and 613.3, where the amount or benefit referred to in paragraph *b* of section 613.3 to which the taxpayer referred to in section 613.2 is at any time entitled is provided by way of an agreement or other arrangement under which the taxpayer has a right, either absolutely or contingently, otherwise than as a consequence of his death, to acquire other property in exchange for all or any part of his partnership interest, the amount or benefit to which the taxpayer is entitled under the agreement or arrangement shall be not less than the fair market value of that other property at that time, or if it is provided by way of a guarantee, security or similar indemnity or covenant in respect of any loan or other obligation of the taxpayer, by the partnership or a person or partnership with whom the partnership does not deal at arm's length, the amount or benefit to which the taxpayer is entitled under the guarantee or indemnity at any particular time shall not be less than the aggregate of the unpaid amount of the loan or obligation and all other amounts outstanding in respect of the loan or obligation at that particular time.

Adjusted
cost base

“613.5 For the purposes of sections 613.2 to 613.4, where a taxpayer has acquired his partnership interest at any time from a transferor other than the partnership, the adjusted cost base to the taxpayer of that interest shall be computed as if the cost to him of the interest were the lesser of

(a) his cost otherwise determined, and

(b) the greater of the adjusted cost base of that interest to the transferor immediately before that time, and nil.

Presumption

Notwithstanding the foregoing, where the adjusted cost base to the transferor cannot be determined, it is deemed to be equal to the aggregate of the amounts determined in respect of the taxpayer under paragraphs *a* and *b* of section 613.3 immediately after that time.

Limited partner

“613.6 For the purposes of sections 600, 603 to 605, 608 to 613.10 and 727 to 737, a taxpayer who is a member of a partnership at a particular time is a limited partner of that partnership at that time if his partnership interest is not an exempt interest at that time, within the meaning assigned by section 613.7, and if, at that time or within three years after that time,

(a) by operation of any law which governs the partnership arrangement, the liability of the taxpayer in his capacity as a member of the partnership, is limited;

(b) the taxpayer or a person with whom the taxpayer does not deal at arm's length is entitled to receive an amount or obtain a benefit that would be described in paragraph *b* of section 613.3 if it were read without reference to subparagraphs ii and vi thereof;

(c) one of the reasons for the existence of the taxpayer who owns the interest

i. may reasonably be considered to be to limit the liability of any other person with respect to that interest, and

ii. may not reasonably be considered to be to permit any person who has an interest in the taxpayer to carry on his business, other than an investment business, in the most effective manner;

(d) one of the main reasons for existence of an agreement or other arrangement for the disposition of an interest in the partnership may reasonably be considered to be to attempt to avoid the application of this section to the taxpayer.

Exempt interest in partnership

“613.7 For the purposes of section 613.6, an exempt interest in a partnership at any time means a prescribed partnership interest or an interest in a partnership that was actively carrying on business on a regular and a continuous basis immediately before 26 February 1986 and continuously thereafter until that time or that was earning income from the rental or leasing of property immediately before 26 February 1986 and continuously thereafter until that time, where there has not after 25 February 1986 and before that time been a substantial contribution of capital to the partnership or a substantial increase in the indebtedness of the partnership and, for this purpose, an amount will not be considered to be substantial where

(a) the amount was used by the partnership to make an expenditure required to be made pursuant to the terms of a written agreement entered into by it before 26 February 1986, or to repay a loan, debt or contribution of capital that had been received or incurred in respect of any such expenditure;

(b) the amount was raised pursuant to the terms of a final prospectus, preliminary prospectus or registration statement filed before 26 February 1986 with a public authority in Canada pursuant to and in accordance with the securities legislation of Canada or of any province, and, where required by law, accepted for filing by such public authority; or

(c) the amount was used for the activity that was carried on by the partnership on 25 February 1986 but was not used for a significant expansion of the activity.

Rules

“613.8 For the purposes of section 613.7, the following rules apply:

(a) a partnership in respect of which paragraph *b* of section 613.7 applies shall be considered to have been actively carrying on a business on a regular and a continuous basis immediately before 26 February 1986 and continuously thereafter until the earlier of the closing date, if any, stipulated in the document referred to in paragraph *b* of section 613.7, and 1 January 1987; and

(b) an expenditure shall not be considered to have been required to be made pursuant to the terms of an agreement where the obligation to make the expenditure is conditional in any way on the consequences under this Part relating to the expenditure and the condition has not been satisfied or waived before 12 June 1986.

Repayment

“613.9 For the purposes of paragraph *a* of section 613.3, where at any time an amount owing by a taxpayer or a person with whom the taxpayer does not deal at arm's length is repaid and it is established, by subsequent events or otherwise, that the repayment was made as part of a series of loans or other transactions and repayments, the amount owing is deemed not to have been repaid.

Contribution
of capital

“613.10 For the purposes of paragraph *a* of section 613.2, where at any time a taxpayer makes a contribution of capital to a partnership and the partnership or a person or partnership with whom the partnership does not deal at arm's length makes a loan to the taxpayer or to a person with whom the taxpayer does not deal at arm's length

or repays the contribution of capital, and it is established, by subsequent events or otherwise, that the loan or repayment, as the case may be, was made as part of a series of loans or other transactions and repayments, the contribution of capital is deemed not to have been made to the extent of the loan or repayment, as the case may be.”

(2) This section has effect from 26 February 1986 except that, in its application to partnership interests acquired before 1 January 1987, the words “for the purpose of reducing the impact, in whole or in part, of any loss that the taxpayer may sustain” in paragraph *b* of section 613.3 of the Taxation Act as enacted by subsection 1 shall be read as “pursuant to an undertaking, made by any person or partnership, to indemnify the taxpayer with respect to any liability that the taxpayer may incur”, where the interest in a partnership was acquired pursuant to

(a) a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 12 June 1986 and, where required by law, accepted for filing by a public authority in Canada pursuant to and in accordance with the securities legislation of Canada or of any province;

(b) an offering memorandum or similar offering material in respect of which solicitations were made to prospective purchasers after 25 February 1986 and before 12 June 1986 and which was, where required by law, filed with a public authority in Canada pursuant to and in accordance with the securities legislation of Canada or of any province;

(c) an issue of partnership interests, in a partnership formed for the purpose of producing a film property, that is prescribed for the purposes of subparagraph ii of paragraph *b* of section 613.3 of the Taxation Act as enacted by subsection 1, where the partnership is obliged to make expenditures in respect of the film property pursuant to an agreement in writing entered into by it or on its behalf before 12 June 1986; or

(d) an issue of interests in a partnership formed before 12 June 1986 for the purpose of acquiring a film property, that is prescribed for the purposes of subparagraph ii of paragraph *b* of section 613.3 of the Taxation Act as enacted by subsection 1, from a producer who produced the film property for the purpose, as evidenced in writing before 12 June 1986, of its sale to the partnership, where the producer is obliged to make expenditures in respect of the film property pursuant to an agreement in writing entered into by him before 12 June 1986.

c. I-3,
s. 693, am.

41. (1) Section 693 of the said Act, amended by section 133 of chapter 67 of the statutes of 1987, is again amended by replacing the second paragraph by the following paragraph:

Order of
deductions

“However, the taxpayer shall apply the provisions of this book in the following order: sections 737.8 and 737.17, Titles II, III, IV, IV.1, V, V.1, VI, VI.1, VI.2, VI.3, VII and VI.5 and sections 737.14 to 737.16, 737.21 and 737.4 to 737.6.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 695, am.

42. (1) Section 695 of the said Act, amended by section 16 of chapter 21 of the statutes of 1987 and by section 135 of chapter 67 of the statutes of 1987, is again amended by replacing paragraph *h* by the following paragraph:

Person over
65 years of
age

“(h) \$2 200, if he has reached 65 years of age before the end of the year, less the amount, if any, by which the amount determined under section 709.2 exceeds the aggregate of the amounts determined under subparagraphs *a* and *b* of the first paragraph of section 709.1;”.

(2) This section applies from the taxation year 1987.

c. I-3,
s. 702,
replaced

43. (1) Section 702 of the said Act, replaced by section 19 of chapter 21 of the statutes of 1987, is again replaced by the following section:

Interest and
dividend
income
deductible
up to \$500

“**702.** An individual other than a trust that is not a testamentary trust, within the meaning of section 677, may deduct, up to \$500, the amount by which the aggregate of the interest included in computing his income and his grossed-up dividends exceeds, for the year, the aggregate of each amount deducted as interest in such computation.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 702.1,
repealed

44. (1) Section 702.1 of the said Act, enacted by section 19 of chapter 21 of the statutes of 1987, is repealed.

(2) This section applies from the taxation year 1987.

c. I-3,
s. 707, am.

45. (1) Section 707 of the said Act, amended by section 20 of chapter 21 of the statutes of 1987, is again amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

Pension
income
exemption

“**707.** An individual who has attained the age of 65 years before the end of the year may deduct, up to \$500, the aggregate of the amounts contemplated in the second paragraph and any amount received by him in the year”.

(2) This section applies from the taxation year 1987.

c. I-3,
s. 707.1,
repealed

46. (1) Section 707.1 of the said Act, enacted by section 21 of chapter 21 of the statutes of 1987, is repealed.

(2) This section applies from the taxation year 1987.

c. I-3,
s. 708, am.

47. (1) Section 708 of the said Act, amended by section 22 of chapter 21 of the statutes of 1987, is again amended by replacing the first paragraph by the following paragraph:

Qualified
pension
income
deductible

“708. An individual who has not attained the age of 65 years before the end of the year, who is not a trust and who, before the end of the year, meets one of the conditions described in the second paragraph may deduct, up to \$500, the aggregate of any amount described in subparagraph *a* of the first paragraph of section 707 received by him in the year and any amount, described in subparagraphs *b* to *e* of that first paragraph and in the second paragraph of the said section or that would be described therein if the reference to the age of the individual were not taken into account, received by him in the year by reason of the death of his spouse.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 708.1,
repealed

48. (1) Section 708.1 of the said Act, enacted by section 23 of chapter 21 of the statutes of 1987, is repealed.

(2) This section applies from the taxation year 1987.

c. I-3, title
IV.1 and ss.
709.1, 709.2,
added

49. (1) The said Act is amended by inserting, after section 709, the following title:

“TITLE IV.1

“ADDITIONAL DEDUCTION FOR PERSONS CONSIDERED TO BE RETIRED

Deductible
amount

“709.1 An individual who meets one of the requirements set out in the second paragraph may deduct an amount which does not exceed the amount, if any, by which the aggregate of

(*a*) the lesser of \$500 and the amount, if any, by which the aggregate, for the year, of the amount included as interest in computing his income, for the purposes of Title III, and his grossed-up dividends, within the meaning of section 705, exceeds the aggregate of \$500 and each amount deducted as interest in such computation, and

(b) the lesser of \$500 and of the amount, if any, by which the aggregate determined in his respect for the year under section 707 or 708 exceeds \$500,

exceeds the amounts determined in his respect under section 709.2.

Conditions

No deduction under this section is permitted unless the individual

(a) has attained 65 years of age before the end of the year;

(b) has received, in the year, a spouse's allowance under the Old Age Security Act (Statutes of Canada) or a retirement pension under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or under a similar plan within the meaning of the said Act; or

(c) has deducted, for the year, an amount under section 708.

Computation

"709.2 For the purposes of the first paragraph of section 709.1, the amount determined in respect of an individual is equal to the amount, if any, by which the aggregate, for the year, of his income from an office or employment computed under sections 32 to 79.3 and his income from a business carried on by him either alone or as an active partner exceeds \$10 000."

(2) This section applies from the taxation year 1987.

c. I-3,
s. 710, am.

50. (1) Section 710 of the said Act is amended by inserting, after paragraph *d*, the following paragraph:

"(d.1) an artistic organization recognized by the Minister on the recommendation of the Minister of Cultural Affairs;".

(2) This section has effect from 30 April 1987.

c. I-3,
s. 725.2,
replaced

51. (1) Section 725.2 of the said Act, enacted by section 141 of chapter 67 of the statutes of 1987, is replaced by the following section:

Sale or is-
sue of share

"725.2 Where a corporation has agreed to sell or issue a share of its capital stock, or of the capital stock of a corporation with which it does not deal at arm's length, to an individual, he may deduct an amount equal to one-half of the amount of the benefit he is deemed to have received in the year under section 49, by virtue of section 49.1 or 49.2, or under section 50, 51 or 52, in respect of the share or the transfer or other disposition of the rights under the agreement contemplated in section 48, if

(a) the amount that the individual is required to pay to acquire the share is equal to or greater than the fair market value of the share at the time the agreement was made;

(b) the share was acquired or the rights under the agreement were transferred or disposed of, as the case may be, after 31 December 1986 by an individual who, immediately after the agreement was made, was dealing at arm's length with the particular corporation contemplated in section 48, with the corporation a share of the capital stock of which the particular corporation contemplated in section 48 has agreed to sell or to issue, and with the corporation of which he is an employee; and

(c) the share is a share contemplated in subparagraph ii of paragraph d of subsection 1 of section 110 of the Income Tax Act (Statutes of Canada) at the time of its sale or issue, as the case may be."

(2) This section has effect from 1 January 1987.

c. I-3,
s. 725.6,
am.

52. (1) Section 725.6 of the said Act, enacted by section 141 of chapter 67 of the statutes of 1987, is amended by replacing what precedes paragraph *a* by the following:

Home relo-
cation loan

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

(2) This section applies from the taxation year 1985. However, where it applies to the taxation years 1985 and 1986, that part of section 725.6 of the Taxation Act which precedes paragraph *a*, as enacted thereby, shall be read without reference to the words "and paragraph *d* of section 737.22".

c. I-3,
s. 726, am.

53. (1) Section 726 of the said Act is amended by replacing paragraph *a* by the following paragraph:

"(a) the aggregate of the amounts his spouse may claim as a deduction for the year under paragraph *h* of section 695, sections 702 to 709.2 or section 723, exceeds".

(2) This section applies from the taxation year 1987.

c. I-3,
s. 733.0.0.1,
added

54. (1) The said Act is amended by inserting, after section 733, the following section:

Restriction

“733.0.0.1 A taxpayer may deduct his limited partnership losses in respect of a partnership for taxation years preceding the year, but no amount is deductible for the year in respect of a limited partnership loss except to the extent of the amount by which his at-risk amount in respect of the partnership, within the meaning assigned by sections 613.2 to 613.4, at the end of the last fiscal period of the partnership ending in the year exceeds the aggregate of all amounts each of which is

(a) that part of the amount determined in respect of the partnership which is required by subsection 8 of section 127 of the Income Tax Act (Statutes of Canada) to be added in computing the investment tax credit of the taxpayer for the taxation year within the meaning assigned to that expression by the said Act for the purposes of the said subsection;

(b) the taxpayer's share of any losses of the partnership for that fiscal period from a business or property; or

(c) the taxpayer's share of the foreign exploration and development expenses, the Canadian exploration expense, the Canadian development expense, and the Canadian oil and gas property expense, incurred by the partnership in that fiscal period.”

(2) This section has effect from 26 February 1986.

c. 1-3,
s. 733.0.1,
am.

55. (1) Section 733.0.1 of the said Act is amended by replacing what precedes paragraph *a* by the following:

Losses

“733.0.1 For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss of a taxpayer for a taxation year, the following rules also apply:”

(2) This section has effect from 26 February 1986.

c. 1-3,
s. 733.1,
replaced

56. (1) Section 733.1 of the said Act is replaced by the following section:

Losses of
non-resident
taxpayer

“733.1 For the purposes of this title, a taxpayer's non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss for a taxation year during which he was not resident in Canada shall be determined as if, throughout the period contemplated in subparagraph *b* of the second paragraph of section 23, in the case of an individual contemplated in section 23, 24 or 25 in respect of whom such a period applies, and throughout the year in any other case, the taxpayer had no income other than income described in subparagraphs *a* and *b* of the first paragraph of section 1090, his only taxable capital

gains and allowable capital losses were taxable capital gains and allowable taxable losses from the disposition of taxable Canadian property and his only losses were losses from businesses carried on by him in Canada.”

(2) This section has effect from 26 February 1986.

c. I-3,
ss. 734 and
735,
replaced

Restrictions
as to certain
losses

57. (1) Sections 734 and 735 of the said Act are replaced by the following sections:

“**734.** A non-capital loss, a farm loss, a net capital loss, a restricted farm loss or a limited partnership loss is deductible for a particular taxation year under section 727, 728.1, 729, 731, 733.0.0.1 or 737 only to the extent that it exceeds the aggregate of the amounts deducted under this title in respect of that loss for the taxation years preceding the particular taxation year.

Restrictions
as to certain
losses

“**735.** No amount is deductible as a non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss under section 727, 728.1, 729, 731, 733.0.0.1 or 737 for any taxation year, as long as the corresponding deductible losses for the previous years have not been deducted.”

(2) This section has effect from 26 February 1986.

c. I-3, title
VII.3 and ss.
737.19-737.22,
added

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

“TITLE VII.3

“DEDUCTION IN RESPECT OF A FOREIGN RESEARCHER

“CHAPTER I

“INTERPRETATION

Interpreta-
tion

“**737.19** In this title,

“foreign
researcher”

(a) “foreign researcher” means an individual who, at a particular time after 30 April 1987, assumes duties as an employee of an eligible employer pursuant to an employment contract entered into after 30 April 1987 and before 1 January 1991 with the eligible employer, with respect to whom the eligible employer has obtained, prior to entering into the employment contract and before the researcher’s assuming

his duties, a certificate from the Conseil de la Science et de la Technologie, that has not been revoked, attesting that the researcher is a specialist in the relevant field of pure or applied science or a related field and holds a Master's degree recognized by a Québec university, or its equivalent, and satisfies the following conditions:

i. he has not resided in Canada at any time between 29 April 1987 and the day of entering into the employment contract or of assuming his duties as an employee of the eligible employer;

ii. from the particular time and without interruption, he works almost exclusively as an employee of the eligible employer;

iii. his duties as an employee of the eligible employer consist almost exclusively in carrying on scientific research and experimental development which cannot reasonably be considered to be scientific research and experimental development activities carried out in an eligible university entity within the meaning of paragraph *f* of section 1029.8.1;

"eligible employer"

(b) "eligible employer" means a person or partnership who or which carries on a business in Canada and carries out or commissions scientific research and experimental development in Québec related to the business or class of business of the person or partnership, other than

i. a person referred to in section 984 or 985;

ii. a person or a group of persons who or which is an eligible university entity within the meaning of paragraph *f* of section 1029.8.1;

iii. a person forming part of a group which constitutes a university research team within the meaning of paragraph *g* of section 1029.8.1;

"research activity period"

(c) "research activity period" of a foreign researcher means only the period beginning on the day when, for the first time after 30 April 1987, the foreign researcher assumes his duties as an employee of an eligible employer and ending on the earlier of the following dates:

i. the day when he ceases to satisfy either of the conditions set out in subparagraphs ii and iii of paragraph *a*;

ii. the 731st day following the day he assumed his duties;

“scientific research and experimental development” (d) “scientific research and experimental development” means scientific research and experimental development within the meaning of the regulations made under section 222;

“eligible income” (e) “eligible income” of a foreign researcher for a taxation year means the aggregate of all such amounts paid to him as wages in the year by his eligible employer as may reasonably be considered to be attributable to his research activity period and which constitute, for the eligible employer, research and development expenditures of a current nature, within the meaning of section 222, made in Québec before 1 January 1993;

“wages” (f) “wages” means the income computed pursuant to Chapters I and II of Title II of Book III of this Part.

Renewed employment contract “**737.20** For the purposes of this title, any employment contract defined in paragraph *a* of section 737.19 that is renewed is deemed not to be a separate employment contract.

Eligible employer The same rule applies where a new employment contract is entered into with another eligible employer if he is one of the following persons, in which case that other eligible employer is deemed not to be other than the eligible employer who entered into the employment contract referred to in paragraph *a* of section 737.19:

(a) a subsidiary of the eligible employer, whether controlled directly or indirectly;

(b) a corporation which, following an operation referred to in section 518 or 566, continues to carry on the business of the eligible employer on behalf of which the foreign researcher who entered into the employment contract was carrying on scientific research and experimental development;

(c) a corporation directly or indirectly controlling the eligible employer.

“CHAPTER II

“DEDUCTION

Amount deductible by foreign researcher “**737.21** A foreign researcher may deduct, in computing his taxable income for a taxation year, any amount not greater than the amount, if any, by which his eligible income for the year as attested in prescribed manner by his eligible employer exceeds the aggregate

of the amounts deductible by him in computing his income for the year pursuant to Chapter III of Title II of Book III of this Part and which may reasonably be considered to be attributable to his employment as a foreign researcher during his research activity period.

“CHAPTER III

“COMPUTATION OF TAXABLE INCOME

Computation
of taxable
income of
foreign
researcher

“737.22 For the purposes of computing the taxable income of a foreign researcher contemplated in section 737.21 in a taxation year, the following rules apply:

(a) where he has included in computing his income for the year an amount representing the benefit he is deemed to receive in the year under section 49 pursuant to section 49.1 or 49.2 in respect of a share acquired by him after 22 May 1985 or under section 50, 51 or 52, in respect of the share or the transfer or other disposition of the rights under the agreement and the amount of the benefit is included in his eligible income for the year, the amount of the benefit is, for the purposes of a deduction under section 725.2, deemed to be nil;

(b) where he has included in computing his income for the year an amount representing the benefit he is deemed to receive under section 49 pursuant to section 49.2 with respect to a share acquired by him after 22 May 1985 and the amount of the benefit is included in his eligible income for the year, the amount of the benefit is, for the purposes of a deduction under section 725.3, deemed to be nil;

(c) where he has included in computing his income for the year an amount that is an amount contemplated in paragraph *a* of section 725 and the amount is included in his eligible income for the year, the amount is, for the purposes of a deduction under paragraph *a* of section 725, deemed to be nil;

(d) paragraph *a*, that part of paragraph *b* which precedes subparagraph *i* and paragraph *c* of section 725.6 shall be read as follows:

“(a) the amount, if any, by which the amount of interest, computed at the prescribed rate referred to in section 487.2 in respect of the loan for that part, not included in his research activity period as defined in paragraph *c* of section 737.19, of the period of the year in which it was unpaid exceeds the amount of interest for that part of the year paid on the loan not later than 30 days after the end of the year;”;

“(b) the amount of interest for that part of the year, not included in his research activity period as defined in paragraph *c* of section 737.19, that would be computed at the prescribed rate referred to in section 487.2 in respect of a home relocation loan of the individual if that loan were in the amount of \$25 000 and were extinguished on the earlier of”;

“(c) that part of the amount of the benefit he is deemed to have received in the year under sections 487.1 to 487.6 in respect of the loan as may reasonably be considered as having been received in the part of the year not included in his research activity period as defined in paragraph *c* of section 737.19.”.”

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 749.1,
added

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

Computation
of tax

“**749.1** In this Book, except for the purposes of paragraph *d* of subsection 1 of section 759, and in sections 752.1 to 752.11, except subparagraph *b* of the first paragraph of section 752.2, and except for the purposes of section 772, tax, whether referred to as tax payable under this Part or tax otherwise payable under this Part or by any other similar expression, shall be computed as if this Part were read without reference to Book V.1.”

(2) This section applies to taxation years commencing after 31 December 1983.

c. 1-3,
s. 751, am.

60. (1) Section 751 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the tax payable on the taxable incomes in each of the ranges mentioned in paragraph *a* is the tax provided for in section 750, on the average of the highest and lowest amount of the range and, if the amount of tax payable indicated is not a multiple of one dollar, it shall be rounded off to the nearest dollar or, if it is equidistant from two consecutive multiples of one dollar, it shall be rounded off to the next higher multiple of one dollar.”

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 752.2,
am.

61. (1) Section 752.2 of the said Act is amended by replacing subparagraph *i* of subparagraph *b* of the first paragraph by the following subparagraph:

“i. the aggregate of his tax that would otherwise have been payable under this Part, computed without taking account of sections 752.1 to 776.1.5, 776.17, 776.21 to 776.41, 1183 and 1184 and the proportion contemplated in the second paragraph of section 22 or 25, for each of the three taxation years immediately preceding the year of his death if he had been resident in Québec throughout those years, had derived all that income for those years from sources situated in Québec and if his taxable income otherwise determined for each of those years were increased by $\frac{1}{3}$ of his accumulated averaging amount at the end of the year in which he died, exceeds”.

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

c. I-3,
s. 752.6,
am.

62. (1) Section 752.6 of the said Act is amended by replacing the first paragraph by the following paragraph:

Advance fa-
mily child
allowance

“**752.6** Where an advance family child allowance is paid under Title VI.1 of Book IX of this Part in a taxation year and the allowance is paid in respect of a first or second child, the individual described in section 752.7 shall add to the tax otherwise payable by him for the year under this Part, computed without taking this chapter into account, the amount described in the second paragraph.”

(2) This section applies from the taxation year 1987.

c. I-3, Chap.
I.3 and ss.
752.12-752.16,
added

63. (1) The said Act is amended by inserting, after section 752.11, the following chapter:

“CHAPTER I.3

“ALTERNATIVE MINIMUM TAX CARRY-OVER

Deductible
amount

“**752.12** An individual may deduct from the amount that, but for sections 752.1 to 752.11, 752.13, 752.14, 776.2 to 776.5 and this section, would be the tax otherwise payable by him under this Part for a particular taxation year, such amount as he may claim not exceeding the lesser of

(a) the portion of the aggregate of his additional taxes determined under section 752.14 for the 7 taxation years immediately preceding the particular year that was not deducted in computing his tax otherwise payable under this Part for a taxation year preceding the particular year, and

(b) the amount, if any, by which the amount that, but for sections 752.13 and 752.14 and this section, would be his tax otherwise payable

under this Part for the particular year if such tax were computed pursuant to Book V without taking account of sections 752.1 to 752.11, 772 to 775, 776, 776.1.1 to 776.1.5 and 776.6 to 776.20 and if sections 776.2 to 776.5 did not apply, exceeds the amount determined in respect of the individual for the year under sections 1029.7 and 1029.8, reduced by an amount equal to 97% of the minimum tax applicable to that individual for the particular year as determined under section 776.46.

Death of individual

“752.13 Notwithstanding section 752.12, where an individual dies in a taxation year, there may be deducted, in addition to any amount that may be deducted under section 752.12, in computing the amount that, but for sections 752.1 to 752.11, 752.12 and 752.14 and this section, and if sections 776.2 to 776.5 did not apply, would be the tax otherwise payable by him under this Part for each of the 3 years each of which is hereinafter referred to as “the particular year”, preceding the year of death, such amount as may be claimed not exceeding the lesser of

(a) the portion of the aggregate of his additional taxes determined under section 752.14 for the 7 taxation years immediately preceding the particular year and any taxation year subsequent to the particular year that was not deducted in computing his tax otherwise payable under this Part for any other taxation year, and

(b) the amount, if any, by which the amount that, but for sections 752.12 and 752.14 and this section, would be his tax otherwise payable under this Part for the particular year if such tax were computed pursuant to Book V without taking account of sections 752.1 to 752.11, 772 to 775, 776, 776.1.1 to 776.1.5 and 776.6 to 776.20 and if sections 776.2 to 776.5 did not apply, exceeds the amount determined in respect of the individual for the year under sections 1029.7 and 1029.8, reduced by an amount equal to 97% of the minimum tax applicable to that individual for the particular year as determined under section 776.46.

Additional tax

“752.14 For the purposes of sections 752.12 and 752.13, additional tax of an individual for a taxation year is the amount, if any, by which the amount representing 97% of his minimum tax for the year as determined under section 776.46 exceeds the amount that would be the tax otherwise payable by him under this Part for the year if such amount were computed pursuant to Book V without taking account of sections 752.1 to 752.11, 772 to 775, 776, 776.1.1 to 776.1.5 and if sections 776.2 to 776.5 did not apply, exceeds the amount determined in respect of the individual for the year under sections 1029.7 and 1029.8.

Minimum tax

“752.15 For the purposes of sections 752.12 to 752.14, the minimum tax applicable to an individual for a taxation year as determined

under section 776.46 must be computed, where applicable, by applying thereto the proportion referred to in the second paragraph of section 22, 25 or 26.

Restrictions “**752.16** Sections 752.12 and 752.13 do not apply in respect of a separate return of income of an individual filed under the second paragraph of section 429 or section 681, 782 or 1003 or of a taxation year of an individual in respect of which the individual has made an election under sections 758 to 766.1.”

(2) This section, where it enacts section 752.12 of the Taxation Act, applies to taxation years commencing after 31 December 1985 and where it enacts sections 752.13 to 752.16 of the said Act, applies to taxation years commencing after 31 December 1983.

**c. I-3,
s. 767, am.** **64.** (1) Section 767 of the said Act is amended by replacing the first paragraph by the following paragraph:

**Deduction
in respect of
taxable divi-
dends** “**767.** An individual may deduct from his tax otherwise payable under this Part, computed without taking account of sections 752.1 to 752.11, fifty per cent of the amount he is required to include in computing his income for the year under subsection 2 of section 497.”

(2) This section applies from the taxation year 1987.

**c. I-3,
s. 771.8,
am.** **65.** (1) Section 771.8 of the said Act, enacted by section 31 of chapter 21 of the statutes of 1987, is amended by replacing paragraph *c* by the following paragraph:

“(c) where the corporation was a savings and credit union throughout the entire year, the greater of

i. the amount by which $\frac{4}{3}$ of its maximum cumulative reserve at the end of the year, within the meaning of paragraph *c* of subsection 6 of section 137 of the Income Tax Act (Statutes of Canada), exceeds the aggregate, for any preceding taxation year, of the amount determined in its respect under this section and the excess amount described in subparagraph iii of paragraph *e* of subsection 1 of section 771; and

ii. the amount, if any, by which his income for the year from an eligible business carried on by him in Canada exceeds his loss for the year from such a business;”.

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

**c. I-3,
ss. 773 and
774,
replaced** **66.** (1) Sections 773 and 774 of the said Act are replaced by the following sections:

Deduction
for acquisition
of share

“773. A taxpayer who has acquired, before 24 April 1985, from a corporation constituted under the Act respecting corporations for the development of Québec business firms (R.S.Q., chapter S-28) and duly registered in accordance with the said Act at the time of acquisition, a share of the capital stock of that corporation, may deduct from his tax otherwise payable for a taxation year under this Part, computed without taking account of sections 752.1 to 752.11, the amount by which the aggregate of 25 % of the amount paid to acquire each such share, up to \$25 per share, exceeds the amounts actually deducted under this section for previous taxation years.

Deduction
for acquisition
of share

“774. A taxpayer who has acquired, before 24 April 1985, a share of the capital stock of a corporation constituted under the Act respecting corporations for the development of Québec business firms, from a trader or broker in securities who had personally acquired it as an outright subscription for shares issued by the said corporation, may deduct from his tax otherwise payable for a taxation year under this Part, computed without taking account of sections 752.1 to 752.11, the amount by which the aggregate of 25 % of the amount paid to acquire each such share, up to \$25 per share, exceeds the amounts actually deducted by the taxpayer in that respect under this section for previous taxation years.”

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 776, am.

67. (1) Section 776 of the said Act is amended by replacing the first paragraph by the following paragraph:

Deduction
for election
contribution

“776. An individual who is an elector may deduct from his tax otherwise payable under this Part for a taxation year, computed without taking account of sections 752.1 to 752.11, an amount equal to 50 % of the first \$280 contributed in money during the year to the official representative of an authorized political party, authorized authority of an authorized political party or authorized independent candidate.”

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 776.1,
replaced

68. (1) Section 776.1 of the said Act is replaced by the following section:

Additional
deduction

“776.1 An individual may deduct from his tax otherwise payable for a taxation year under this Part, computed without taking account of sections 752.1 to 752.11 and after any other deduction allowed for the year under this Part except a deduction allowed under sections 776.17 and 776.21 to 776.41, an amount equal to 3 % of the amount of that tax otherwise payable for the year.”

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

c. I-3,
s. 776.1.1,
replaced

69. (1) Section 776.1.1 of the said Act, replaced by section 153 of chapter 67 of the statutes of 1987, is again replaced by the following section:

Shares of
the Fonds
de solidarité
des
travailleurs
du Québec

“776.1.1 An individual who is not a dealer acting as an intermediary or as firm underwriter may deduct from his tax otherwise payable for a taxation year, otherwise determined under this Part, computed without taking account of sections 752.1 to 752.11, 20 % of the amount he pays in the year or within the following 60 days, to such extent as he did not deduct it for a preceding taxation year, for the purchase, as first purchaser, of a class “A” share issued by 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).”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 776.1.2,
replaced

70. (1) Section 776.1.2 of the said Act is replaced by the following section:

Deductible
amount

“776.1.2 An individual may deduct from his tax otherwise payable for a taxation year under this Part, computed without taking account of sections 752.1 to 752.11, an amount not exceeding the amount, if any, by which the balance of the amount he has not deducted under section 776.1.1 in respect of a share described therein, for the year or a preceding taxation year, exceeds any amount deducted under this section, in respect of the share, for a preceding taxation year.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 776.17,
replaced

71. (1) Section 776.17 of the said Act, replaced by section 160 of chapter 67 of the statutes of 1987, is again replaced by the following section:

Deduction

“776.17 An individual other than a trust may deduct from his tax otherwise payable for a taxation year under this Part, computed without taking account of sections 752.1 to 752.11, an amount not greater than the aggregate of his scientific research and experimental development tax credit for the year and his unused scientific research and experimental development tax credit for the following taxation year.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 776.21,
am.

72. (1) Section 776.21 of the said Act is amended

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

“spouse”

“(a) “spouse” of an individual in a taxation year means the person who, during the year, lives with and is married to the individual, or has been cohabiting with the individual for at least one year;”;

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

“dependent person”

“(c) “dependent person” of an individual in a taxation year means a person within the meaning of paragraph *c* of section 695 or a person who would be such a person if the said paragraph were read without taking account of subparagraph *v* thereof, who is not the individual’s spouse during the year and in respect of whom the individual or, as the case may be, his or her spouse during the year deducts an amount for the year under Title II of Book IV;”;

(3) by replacing subparagraphs *i* to *iii* of paragraph *d* by the following subparagraphs:

“i. of his income for the year from an office or employment, computed according to this Part and before any deduction under section 64 where it refers to that part of the capital cost of an aircraft allowed by regulation, paragraph *c* of section 70 or section 72.1;

“ii. of the amount by which his income for the year derived from a business or from property, computed according to this Part and before any deduction under sections 130 and 130.1, exceeds his losses so computed for the year, derived from a business or from property;

“iii. of any other amount included in computing his income for the year under this Part and before any deduction under paragraph *b* of section 339;”;

(4) by adding the following paragraph:

Partner in partnership

“For the purposes of paragraph *ii* of subparagraph *d* of the first paragraph, where an individual is a partner in a partnership at the end of a fiscal period of the partnership, any amount deducted by the partnership in computing its income from a business or from property, in respect of such fiscal period, under sections 130 and 130.1 is deemed to have been deducted by the individual under such sections in computing his income from such business or property for the taxation year in which the end of such fiscal period occurs up to his interest in the partnership.”

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 776.21.1,
added

73. (1) The said Act is amended by inserting, after section 776.21, the following section:

Spouses

“776.21.1 For the purposes of this title, where an individual has more than one spouse during a taxation year, the following rules apply:

(a) the individual is deemed to have only one spouse during the year;

(b) the person who is the spouse of the individual on the last day of the year or, if the individual has no spouse at that time, the last person to be his or her spouse during the year is deemed to be the individual's spouse during the year;

(c) the individual is deemed not to be the spouse during the year of any person other than the person referred to in paragraph *b*.”

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 776.22,
am.

74. (1) Section 776.22 of the said Act is amended by adding, after the second paragraph, the following paragraph:

Last day of
taxation
year

“For the purposes of this section, where an individual dies or ceases to be resident in Canada during a taxation year, the last day of his taxation year is deemed to be the day of his death or the last day on which he was resident in Canada, as the case may be.”

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 776.23,
am.

75. (1) Section 776.23 of the said Act, amended by section 32 of chapter 21 of the statutes of 1987, is again amended

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

“ii. \$84 in respect of the individual's spouse during the year; and”;

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

“ii. \$87 in respect of the individual's spouse during the year; and”.

(2) This section applies from the taxation year 1987.

c. 1-3,
s. 776.24,
replaced

76. (1) Section 776.24 of the said Act, amended by section 33 of chapter 21 of the statutes of 1987, is replaced by the following section:

Computation
of excess
amount

“776.24 The excess amount referred to in section 776.22 is the amount by which

(a) the excess amount of the aggregate of the total income of the individual contemplated therein for the year, and, as the case may be, of the total income, for the year, of his spouse during the year, over

i. \$5 880 if, during the year, the individual has a spouse and a dependent child;

ii. \$4 970 if, during the year, the individual has no spouse but has a dependent child, ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person other than the individual or his or her dependent child lives during the year, and meets the prescribed requirements;

iii. \$3 210 if the individual is not described in paragraphs i and ii and has, during the year, a dependent child and ordinarily lives, throughout the year, in a self-contained domestic establishment;

iv. \$ 0 in other cases, exceeds

(b) the total of the amounts that the individual and, as the case may be, the spouse of the individual during the year deduct under sections 695 to 701 for the year, except the amounts deducted under paragraph *g* of section 695 and except the amounts deducted by the spouse for the year under paragraph *a* of section 695 and under that part of the said section which precedes the said paragraph.

Dependent
child

For the purposes of this section, an individual has, during the year, a dependent child only if the individual or, as the case may be, the spouse of the individual during the year deducts for the year or, were it not for the child's income, would deduct for the year an amount under sections 695 to 701 in respect of a child referred to in paragraph *c* of section 695 or who would be referred to therein if the said paragraph *c* were read without reference to subparagraph *v* thereof."

(2) This section applies from the taxation year 1987. However, where it applies to the taxation year 1987, section 776.24 of the Taxation Act, as enacted by it, shall be read

(1) without reference to the second paragraph;

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

"(a) the aggregate of the total income of the individual contemplated therein for the year and, as the case may be, of the total income, for the year, of the spouse of the individual during the year, exceeds".

c. 1-3,
s. 776.24.1,
am.

77. (1) Section 776.24.1 of the said Act, enacted by section 34 of chapter 21 of the statutes of 1987, is amended

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

“ii. his spouse during the year had no income for the year;”;

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

“(b) where, for the purposes of paragraph *b* of the first paragraph of section 776.24, the individual contemplated in section 776.22 is deemed to deduct an amount under paragraph *a* of section 695 for the year and where that individual or his spouse during the year deducts an amount under section 695.1 for the year, the latter amount must be computed as if the amount of \$3 960 contemplated in section 695.1 were replaced by the amount of the deduction contemplated in paragraph *c* of section 695, for the year;”.

(2) This section applies from the taxation year 1987.

c. I-3,
s. 776.26,
replaced

78. (1) Section 776.26 of the said Act is replaced by the following section:

Restriction

“**776.26** No individual is entitled to the deduction described in section 776.22 for a taxation year if he or his spouse during the year, as the case may be, is exempt from tax for that year under section 982 or 983 or paragraphs *a* to *c* of section 96 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).”

(2) This section applies from the taxation year 1987.

c. I-3,
ss. 776.29-
776.64,
added

79. (1) The said Act is amended by inserting, after section 776.28, the following sections:

“TITLE VII

“TAX REDUCTION IN RESPECT OF FAMILIES

“CHAPTER I

“INTERPRETATION

Interpreta-
tion

“**776.29** In this title,

“spouse”

(a) “spouse” of an individual during a taxation year means the person who, during the year, lives with and is married to the individual, or has been cohabiting with the individual for at least one year;

“tax otherwise payable”

(b) “tax otherwise payable” by an individual under this Part for a taxation year means any tax payable by him for the year under this Part, computed without reference to this title or sections 752.1 to 752.5;

“total income”

(c) “total income” of an individual for a taxation year means his total income for the year, determined under subparagraph *d* of the first paragraph of section 776.21.

Spouses

“776.30 For the purposes of this title, where an individual has more than one spouse during a taxation year, the following rules apply:

(a) the individual is deemed to have only one spouse during the year;

(b) the person who is the spouse of the individual on the last day of the year or, if the individual has no spouse at that time, the last person to be his or her spouse during the year is deemed to be the spouse of the individual during the year;

(c) the individual is deemed not to be the spouse during the year of any person other than the person referred to in paragraph *b*.

Dependent child

“776.31 For the purposes of this title, an individual has, during the year, a dependent child only if the individual or, as the case may be, the individual’s spouse deducts for the year or, were it not for the child’s income, would deduct for the year an amount under sections 695 to 701 in respect of a child referred to in paragraph *c* of section 695 or who would be referred to therein if the said paragraph were read without reference to subparagraph *v* thereof.

“CHAPTER II

“DEDUCTION

Deductible amount

“776.32 Every individual who is not a trust, who is resident in Québec on the last day of a taxation year and who, during the year, has a dependent child designated by him in the prescribed form, may deduct from his tax otherwise payable for that taxation year under this Part an amount equal to the amount, for the year, by which the aggregate described in section 776.33 exceeds the aggregate described in section 776.34.

Reduction

Where the individual contemplated in the first paragraph has a spouse during the year, the deduction allowed for the individual under the first paragraph, for the year, shall be reduced by the amount deducted by the spouse for the year under the said paragraph.

Last day of taxation year

For the purposes of this section, where an individual dies or ceases to be resident in Canada during a taxation year, the last day of his taxation year is deemed to be the day of his death or the last day on which he was resident in Canada, as the case may be.

Deductible
amount

“776.33 The first aggregate contemplated in section 776.32 is equal to the total of the following amounts:

- (a) \$465 in respect of the individual contemplated therein;
- (b) \$465 in respect of the individual's spouse during the year;
- (c) \$300 in respect of not more than one dependent child of the individual during the year if the individual has no spouse during the year, ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person, other than the individual or his dependent child, lives during the year, and meets the prescribed requirements.

Deductible
amount

“776.34 The last aggregate contemplated in section 776.32 is equal to the total of the following amounts:

- (a) 7% of the amount by which
 - i. the excess amount of the aggregate of the total income of the individual contemplated therein for the year and, as the case may be, of the total income, for the year, of his spouse during the year over the amount determined under section 776.35, exceeds
 - ii. the aggregate described under section 776.36;
- (b) 7% of the amount by which the excess amount of the total income for the year of the dependent child of the individual during the year contemplated in the first paragraph of section 776.32, over any amount received by the child in the year as social assistance payment based on an examination of means, needs or income, exceeds \$5 280;
- (c) 45% of any amount received in the year by the child referred to in paragraph *b* as social assistance payment based on an examination of means, needs or income.

Computation

“776.35 The amount to which subparagraph *i* of paragraph *a* of section 776.34 refers is an amount equal to

- (a) \$5 880 where the individual referred to in section 776.32 has a spouse during the year;
- (b) \$4 970 where the individual has no spouse during the year, ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person, other than the individual or his dependent child, lives during the year, and meets the prescribed requirements; or

(c) \$3 210 in other cases.

Computation **“776.36** The aggregate to which subparagraph ii of paragraph *a* of section 776.34 refers is equal to the total of the amounts deducted under sections 695 to 701 by the individual referred to in section 776.32 and, as the case may be, by his spouse during the year, for the year, except the amounts deducted under paragraph *g* of section 695 and the amounts deducted by the spouse for the year under paragraph *a* of section 695 and under that part of the said section which precedes that paragraph.

Rules For the purposes of the first paragraph, the following rules apply :

(a) the amount deducted under paragraph *a* of section 695 for the year by the individual referred to in section 776.32 is deemed to be equal to the amount the individual could deduct under the said paragraph for the year, if

i. the word “spouse” had the same meaning in the said paragraph *a* of section 695 as in paragraph *a* of section 776.29;

ii. the individual’s spouse during the year had no income for that year;

(b) where, for the purposes of the first paragraph, the individual referred to in section 776.32 is deemed to deduct an amount under paragraph *a* of section 695 for the year and the individual or his spouse during the year deducts an amount under section 695.1 for the year, the latter amount shall be computed as if the amount of \$3 960 provided for in section 695.1 were replaced by the amount of the deduction described in paragraph *c* of section 695, for the year;

(c) where, for the purposes of the first paragraph, no amount is deemed to be deducted under paragraph *a* of section 695 by an individual referred to in section 776.32 for a year and the individual deducts an amount under section 695.1 for the year, the latter amount is deemed to be equal to the amount the individual could deduct under section 695.1, for the year, if the dependent person referred to therein had no income for that year.

Restriction **“776.37** Where an individual has a spouse during a taxation year, he is entitled to the deduction described in section 776.32 only if he produces to the Minister a certificate from the spouse in the prescribed form.

Restriction “**776.38** No individual is entitled to the deduction described in section 776.32 for a taxation year if he or his spouse during the year, as the case may be, is exempt from tax for that year under section 982 or 983 or paragraphs *a* to *c* of section 96 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).

Maximum deduction “**776.39** Where more than one individual is entitled, under section 776.32, to deduct an amount in respect of the same person, no amount greater than the amount determined in section 776.33 may be deducted in respect of that person.

Reduction Where, for a taxation year, the amount an individual would be entitled to deduct under this title in respect of a person were it not for this section is different from the amount another individual would thus be entitled to deduct in respect of that person under the said title, the amount of the deduction for an individual otherwise provided for in respect of that person for the year shall be reduced by such proportion of the amount as may be determined in respect of the individual by all the individuals who would thus be entitled to a deduction provided for by this title in respect of that person; however, in no case may the aggregate of proportions thus determined in respect of the same person exceed 1 for the year; if the aggregate of proportions so determined exceeds 1 for the year, the Minister may fix the amount each individual may deduct for the year under the said title in respect of that person.

Power of Minister “**776.40** In the case provided for in the second paragraph of section 776.32 or in section 776.39, the Minister may determine the portion of the amount which may be deducted by each individual referred to therein in case of disagreement among the individuals on that portion of the amount.

“TITLE VIII

“ANNUAL INDEXING

Annual indexing “**776.41** The following amounts must be indexed annually so that each of the amounts to be used for a taxation year subsequent to the taxation year 1988 shall be the amount obtained by adding to that amount the amount obtained by multiplying by the same rate as that prescribed for the purposes of section 694.1 for that year the amount that would have been applicable for that year were it not for this section:

(a) the amounts of \$5 880, \$4 970 and \$3 210 mentioned in section 776.24;

(b) the amounts of \$465 and \$300 mentioned in section 776.33;

(c) the amount of \$5 280 mentioned in section 776.34;

(d) the amounts of \$5 880, \$4 970 and \$3 210 mentioned in section 776.35.

Computation

Where one of the amounts referred to in subparagraphs *a*, *c* and *d* of the first paragraph is not a multiple of \$10 or one of the amounts referred to in subparagraph *b* of that paragraph is not a multiple of \$5 after being indexed in accordance with that paragraph, it shall be rounded off to the nearest multiple of \$10 or \$5, as the case may be, or, if it is equidistant from two consecutive multiples of \$10 or \$5, as the case may be, it shall be rounded off to the next higher such multiple.”

“BOOK V.1

“ALTERNATIVE MINIMUM TAX

“TITLE I

“LIABILITY

Computation
of tax

“**776.42** Notwithstanding any other provision of this Act, where the amount that would represent the tax otherwise payable by an individual for a taxation year if it were computed pursuant to Book V without reference to sections 752.1 to 752.11 and if sections 776.2 to 776.5 did not apply, reduced by the amount determined in respect of the individual for the year under sections 1029.7 and 1029.8, is less than the product referred to in subparagraph *i* of paragraph *a*, in respect of the individual, the tax payable under this Part by the individual for the year, except in the case of a segregated fund trust within the meaning of paragraph *k* of section 835 or a mutual fund trust within the meaning of section 1120, is equal to the amount by which

(a) the aggregate

i. of the product of 97% and the amount by which the minimum tax applicable to the individual for the year within the meaning of section 776.46 exceeds the amount referred to in section 772; and

ii. of the amounts the individual must add under sections 752.2 and 752.6 to his tax otherwise payable for the year under this Part; exceeds

(b) the amount deductible by the individual pursuant to section 752.1 from his tax otherwise payable for the year under this Part.

Applicable
provision

“**776.43** Section 776.42 also applies to an individual referred to in the second paragraph of section 22, 25 or 26.

Interpreta-
tion

In such a case, section 776.42 shall be construed as if the proportion referred to in the second paragraph of the said sections applied to the tax otherwise payable by the individual for the taxation year if it was computed under Book V without reference to sections 752.1 to 752.11 and if sections 776.2 to 776.5 did not apply.

Minimum
tax

Finally, the proportion referred to in the second paragraph of the said sections applies in respect of the minimum tax applicable to the individual for the year as determined under section 776.46.

Applicable
provisions

“776.44 More precisely, it is understood that where the tax payable under this Part for the year by an individual is determined under this Book, sections 776.2 to 776.5 apply, as the case may be, and an amount determined in respect of the individual under sections 1029.7 and 1029.8 is deemed not to have been paid by the Minister under this Part for the year.

Restriction

“776.45 Section 776.42 does not apply in respect of

(a) a separate return of income of the individual filed under the second paragraph of section 429 or section 681, 782 or 1003;

(b) a taxation year of the individual in respect of which the individual has made an election under sections 758 to 766.1;

(c) a return of income for the taxation year 1986 of an individual who died in 1986.

“TITLE II

“MINIMUM TAX APPLICABLE TO AN INDIVIDUAL

Minimum
tax

“776.46 An individual's minimum tax for a taxation year is equal to 14% of the amount by which his adjusted taxable income for the year computed according to Title IV exceeds his basic exemption for the year computed according to section 776.47.

“TITLE III

“BASIC EXEMPTION

Basic
exemption

“776.47 An individual's basic exemption for a taxation year is equal, as the case may be, to the following amount:

(a) \$40 000 in the case of an individual other than a trust;

(b) \$40 000 in the case of a testamentary trust or an *inter vivos* trust described in section 769;

(c) \$0, in any other case.

Basic
exemption

“776.48 Notwithstanding paragraph *b* of section 776.47, where more than one trust described in that paragraph arose as a consequence of contributions to the trusts by an individual and those trusts have filed with the Minister in prescribed form an agreement whereby, for the purposes of this Book, they allocate an amount or several amounts to one or more of them for a taxation year and the aggregate of the amounts so allocated does not exceed \$40 000, the basic exemption for the year of each of the trusts is the amount so allocated to it.

Allocation

“776.49 Notwithstanding paragraph *b* of section 776.47, where more than one trust described in that paragraph arose as a consequence of contributions to the trusts by an individual and no agreement as contemplated by section 776.48 has been filed with the Minister before the expiry of 30 days after notice in writing has been forwarded by the Minister to any of the trusts that such an agreement is required for the purpose of an assesment of tax under this Part, the Minister may, for the purposes of this Book, allocate an amount or several amounts to one or more of the trusts for a taxation year, the aggregate of all of which amounts does not exceed \$40 000, and the basic exemption for the year of each of the trusts is the amount so allocated.

“TITLE IV

“ADJUSTED TAXABLE INCOME

“CHAPTER I

“INTERPRETATION

Interpreta-
tion

“776.50 In this title,

“residential
property”

(a) “residential property” means a property included in class 31 or 32 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) and the furniture or equipment located in a property included in such a class and ancillary thereto;

“film prop-
erty”

(b) “film property” means a property described in paragraph *n* or *r* of class 12 of Schedule B to the Regulation respecting the Taxation Act.

“CHAPTER II

“DETERMINATION OF ADJUSTED TAXABLE INCOME

Adjusted tax-
able income

“**776.51** An individual’s adjusted taxable income for a taxation year is the amount that would represent his taxable income for the year or his taxable income earned in Canada for the year, as the case may be, if it were computed with reference to the rules prescribed in sections 776.52 to 776.64.

Amounts
deductible
by
individual

“**776.52** For the purposes of section 776.51, the aggregate of all amounts deductible by an individual in computing his income for the year, under paragraph *c* of section 70, paragraphs *b*, *d*, *d.1* and *e* of section 339 and sections 71, 72.1 and 339.1 to 339.3, shall be established as if it were equal to the lesser of the following amounts:

(a) the aggregate of the amounts otherwise so deductible for the year;

(b) the aggregate of all amounts included in the computation of his income for the year representing a single payment out of or pursuant to a deferred profit sharing plan or a retirement plan upon the death, withdrawal from the plan or termination of employment of a person, or upon the winding-up of the plan in full satisfaction of all rights of the beneficiary under the plan, or representing such a single payment to which he is entitled by reason of an amendment to the plan.

Amounts
deductible
by
individual

“**776.53** For the purposes of section 776.51, subject to section 776.64, the aggregate of all amounts deductible by an individual for the year under paragraph *a* of section 130 in respect of residential properties, shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible for the year; and

(b) the amount by which

i. the aggregate of his incomes for the year from the renting or leasing of residential properties owned by him or by a partnership, computed without reference to paragraph *a* of section 130, exceeds

ii. the aggregate of his losses for the year from the renting or leasing of residential properties owned by him or by a partnership, computed without reference to paragraph *a* of section 130.

Amounts
deductible
by
individual

“776.54 For the purposes of section 776.51, subject to section 776.64, the aggregate of all amounts deductible by the individual for the year under paragraph *a* of section 130 in respect of film properties shall be established as if it were equal to the lesser of

(a) the aggregate of the amounts otherwise so deductible for the year; and

(b) the amount by which

i. the aggregate of his incomes for the year from the renting or leasing of film properties owned by him or by a partnership, computed without reference to paragraph *a* of section 130 and to sections 157.4 and 157.4.1, exceeds

ii. the aggregate of his losses for the year from the renting or leasing of film properties owned by him or by a partnership, computed without reference to paragraph *a* of section 130 and to sections 157.4 and 157.4.1.

Amounts
deductible
by
individual

“776.55 For the purposes of section 776.51, the aggregate of all amounts deductible by the individual for the year under sections 157.4 and 157.4.1 in respect of film properties shall be established as if it were equal to the lesser of

(a) the aggregate of the amounts otherwise so deductible for the year; and

(b) the excess amount over the aggregate of all amounts deductible by the individual for the year under section 776.54 of the amount by which

i. the aggregate of his incomes for the year from the renting or leasing of film properties owned by him or by a partnership, computed without reference to paragraph *a* of section 130 and to sections 157.4 and 157.4.1, exceeds

ii. the aggregate of his losses for the year from the renting or leasing of film properties owned by him or by a partnership, computed without reference to paragraph *a* of section 130 and to sections 157.4 and 157.4.1.

Interpreta-
tion

“776.56 For the purposes of section 776.51, the first paragraph of section 231 shall be construed as if the taxable capital gain, the allowable capital loss or the allowable business investment loss represented the total amount of the capital gain, of the capital loss or of the allowable business investment loss, as the case may be, from the disposition of property occurring after 31 December 1985, and section 265 shall be construed as if the taxable net gain represented the aggregate of the net gain from the disposition of precious property occurring after 31 December 1985.

Amounts
deductible
by
individual

“776.57 For the purposes of section 776.51, the aggregate of all amounts deductible by an individual in computing his income for the year under sections 359 to 418.14, 419.1 to 419.4, 600.1, 600.2, or section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24) to the extent that section 86.4 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-4, r. 2) refers to paragraphs 10 and 12 of section 29 of the Income Tax Application Rules, 1971 (Statutes of Canada), shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible by the individual for the year; and

(b) the aggregate of the following amounts:

i. his income for the year from royalties in respect of, and such part of his income, other than royalties, for the year as may reasonably be considered as attributable to, the production of petroleum, natural gas and minerals, determined before deducting the amounts referred to in paragraph *a*, and

ii. all amounts included in computing his income for the year under sections 330 to 333.

Interpreta-
tion

“776.58 For the purposes of section 776.51, section 497 shall be read without reference to subsection 2 of that section.

Amounts
deductible
for compu-
tation of a
trust's
income

“776.59 For the purposes of section 776.51, the aggregate of all amounts deductible in computing the income of a trust for the year under sections 646 to 648, 652 to 657.1, 659, 660, 663, 664, 666 to 674, 676, 676.1, 678 to 682, shall be established as if it were equal to the sum of the aggregate of all amounts otherwise deductible under the said sections and the aggregate of all amounts representing

(a) an amount designated by the trust for the year under section 668, or

(b) that portion of a net taxable capital gain of the trust that may reasonably be considered

i. to be part of an amount included in computing the income for the year of a beneficiary of the trust pursuant to section 661, 662 or 663 if the beneficiary is not resident in Canada; or

ii. to have been paid in the year by a trust governed by an employee benefit plan to a beneficiary thereunder.

Restriction “**776.60** For the purposes of section 776.51, the individual shall not deduct any amount for the year in computing his taxable income or his taxable income earned in Canada, as the case may be, under sections 702, 707, 708, 725.2 to 725.6, 726, 726.1, 726.3 and 726.4.

Deductible amount Notwithstanding the first paragraph, an amount otherwise deductible by the individual for the year in computing his taxable income or his taxable income earned in Canada, as the case may be, other than an amount referred to in this title, shall be equal to the amount that would otherwise be deductible were it not for this Book.

Amounts deductible by individual “**776.61** For the purposes of section 776.51, the only amounts deductible by an individual for the year in computing his taxable income or his taxable income earned in Canada, as the case may be, under sections 727, 728.1, 729 and 731 are

(a) as regards sections 727, 728.1 and 731, the lesser of

i. the aggregate of all amounts deducted by him under the said sections; and

ii. the aggregate of all amounts that would be deductible by him under the said sections if sections 776.53, 776.54, 776.55 and 776.57 were applicable in computing the aggregate referred to in paragraph a of section 728.0.1 for a taxation year commencing after 31 December 1985; and

(b) as regards section 729, the lesser of

i. the aggregate of all amounts each of which may reasonably be considered to be the amount he would have deducted under section 729, had section 776.56 been applicable in computing the amount deductible under section 729; and

ii. the aggregate of all amounts that would be deductible under section 729 if section 776.56 were applicable in computing the aggregate referred to in section 730 for a taxation year commencing after 31 December 1985.

Election under s. 118 (1972, c. 24) “**776.62** For the purposes of section 776.51, no election may be made under section 118 of the Act respecting the application of the Taxation Act (1972, chapter 24).

Restriction “**776.63** For the purposes of section 776.51, the individual shall not deduct any amount for the year in computing his income under sections 358.1, 358.2, 358.10 and 358.11.

Residential
property or
film prop-
erty

“776.64 For the purposes of sections 776.53 and 776.54, where an individual is a member of a partnership at the end of the latter’s fiscal period, any amount deducted by the partnership in computing its income under paragraph *a* of section 130 in respect of a residential property or a film property is deemed to have been deducted by the individual under the said paragraph, to the extent of his partnership interest, in computing his income in respect of the property for the taxation year in which the fiscal period ended.”

(2) Where this section enacts sections 776.29 to 776.41 of the Taxation Act, it applies from the taxation year 1988.

(3) Where this section enacts sections 776.42 to 776.62 and 776.64 of the Taxation Act, it applies to taxation years commencing after 31 December 1985.

(4) Where this section enacts section 776.63 of the Taxation Act and the latter refers to sections 358.1 and 358.2 of the said Act, it applies in respect of any expenditure made after 30 April 1987. Where section 776.63 refers to sections 358.10 and 358.11, it has effect from 1 May 1987.

c. I-3,
s. 779,
replaced

80. (1) Section 779 of the said Act is replaced by the following section:

Taxation
year of
bankrupt

“779. Except for the purposes of Titles VI and VII of Book V, the taxation year of the bankrupt is deemed to commence on the date of the bankruptcy and the current taxation year is deemed to end on the day before such date.”

(2) This section applies from the taxation year 1987. Where this section applies to the taxation year 1987, section 779 of the Taxation Act, as enacted by this section, shall be read as if it contained no reference to Title VII of Book V.

c. I-3,
s. 782,
replaced

81. (1) Section 782 of the said Act is replaced by the following section:

Filing of fis-
cal return
by trustee

“782. The trustee shall, within 90 days from the end of the calendar year for each year during which an individual is in bankruptcy file with the Minister a fiscal return, in prescribed form, relating to the income from transactions of the bankrupt. The trustee shall not, in this respect, claim any deduction contemplated in Book IV, or in Title VI or VII of Book V, except those permitted by sections 727 to 737.”

(2) This section applies from the taxation year 1987. Where this section applies to the taxation year 1987, section 782 of the Taxation Act, as enacted by this section, shall be read as if it contained no reference to Title VII of Book V.

c. I-3,
s. 965.1,
am.

82. (1) Section 965.1 of the said Act, amended by section 36 of chapter 21 of the statutes of 1987 and by section 175 of chapter 67 of the statutes of 1987, is again amended

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

*“qualifying
share”*

“(b) “qualifying share” means a share or stock not referred to in section 965.9.4 and meeting the requirements of section 965.7, 965.8, 965.9, 965.9.1 or 965.9.1.1 and, adapted as required, a fraction of such a share paid after 31 December 1983 and not reimbursed;”;

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

*“qualified
corporation”*

“(d) “qualified corporation” means a corporation mentioned in section 965.10, 965.11.1, 965.11.5, 965.11.6, 965.11.7.1 or 965.12 and not referred to in sections 965.11.8 to 965.11.20 nor 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) or by the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1);”;

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

*“adjusted
cost”*

“(g) “adjusted cost” means the cost of a share or stock or of a qualifying security as determined under sections 965.6 to 965.6.0.3;”;

(4) by inserting, after paragraph *h*, the following paragraphs:

*“public secu-
rity issue”*

“(h.0.1) “public security issue” means the distribution of any security in accordance with a receipt from the Commission des valeurs mobilières du Québec;

*“investment
fund”*

“(h.0.2) “investment fund” means an investment fund described in section 965.6.21;”;

(5) by inserting, after paragraph *j*, the following paragraphs:

“security”

“(j.1) “security” means any investment in an investment fund;

*“qualifying
security”*

“(j.2) “qualifying security” means a security meeting the requirements of section 965.9.8;

*“valid
qualifying
security”*

“(j.3) “valid qualifying security” in respect of a year means a qualifying security acquired by an individual in that year and held without interruption, throughout that part of the year which follows the acquisition, in a stock savings plan of which the individual is beneficiary;”.

(2) Where this section replaces paragraphs *b* and *g* of section 965.1 of the Taxation Act and enacts paragraphs *h.0.1*, *h.0.2*, *j.1*, *j.2* and *j.3* of the said section 965.1, it applies from 1 January 1988.

(3) Where this section replaces paragraph *d* of section 965.1 of the Taxation Act, it applies from 17 December 1986, except that where, in replacing that paragraph, it adds a reference to section 965.11.7.1 of the said Act, it applies as regards a public share issue in respect of which a receipt for a final prospectus or an exemption from filing a prospectus was granted after 11 November 1986.

c. I-3,
s. 965.2,
am.

83. (1) Section 965.2 of the said Act is amended by adding, after the second paragraph, the following paragraph:

Stock sav-
ings plan

“A stock savings plan is also an arrangement made between an individual who is not a trust and an investment fund, under which the individual entrusts to the investment fund the custody of such of his qualifying securities, issued by the investment fund, as he may indicate that are not included in any other plan of any kind for the purposes of this Act, except a prescribed plan.”

(2) This section applies from 1 January 1988.

c. I-3,
s. 965.4.4,
am.

84. (1) Section 965.4.4 of the said Act is amended by replacing the first paragraph by the following paragraph:

Developing
corporation

“**965.4.4** A corporation contemplated in section 965.4.3 is a corporation which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus, would be a developing corporation or a qualified corporation whose assets are less than \$250 000 000 but for a government or another corporation associated with a government associated with it on that date, except a corporation directly or indirectly controlled by the issuing corporation on that date or that was so controlled at any time in the 12 months preceding that date, and which is, on the date on which the public share issue ends, no longer associated with that government or that other corporation.”

(2) This section applies as regards a public share issue in respect of which a receipt for a final prospectus or an exemption from filing a prospectus was granted after 10 December 1986, except where the

receipt for a preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted before 1 January 1987 or where the application for an exemption from filing a prospectus was made before 11 December 1986 and the exemption from filing a prospectus was granted before 1 January 1987.

c. I-3,
s. 965.5,
replaced

85. (1) Section 965.5 of the said Act, replaced by section 45 of chapter 21 of the statutes of 1987, is again replaced by the following section:

Reduction

“965.5 For the purposes of sections 965.3 to 965.4.1.2, where a corporation or a corporation associated with it reduces its assets or the net shareholders' equity by any transaction for the purposes of qualifying the corporation as a developing corporation, as a corporation whose assets are under \$250 000 000 or as a qualified corporation, as the case may be, the assets or the net shareholders' equity is deemed not to have been reduced unless the Minister decides otherwise.”

(2) This section has effect from 11 December 1986.

c. I-3,
s. 965.6,
am.

86. (1) Section 965.6 of the said Act is amended

(1) by replacing that part which precedes paragraph *b* by the following:

Adjusted
cost of
share or
stock

“965.6 The adjusted cost of a share or stock for an individual, an investment group or an investment fund, hereinafter called “purchaser” is obtained by multiplying the cost of the share or stock for the purchaser, determined without taking into account the borrowing costs, brokerage or custody fees or other similar costs related to the share or stock, by

(a) 150% in the case of a qualifying share of a developing corporation that is not a subordinate voting share or a preferred share convertible to a subordinate voting share and that is acquired by the purchaser before 1986 or issued as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted before 24 April 1985;

(a.1) 75% in the case of a qualifying share of a developing corporation that is a subordinate voting share or a preferred share convertible to a subordinate voting share, that is acquired by the purchaser after 1985 and that is issued as part of a public share issue in respect of which the receipt for the final prospectus or, as the case may be, the exemption from filing a prospectus was granted after

23 April 1985 and the receipt or exemption was granted before 11 December 1986, or the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted after 10 December 1986 but before 1 January 1987, or the application for an exemption from filing a prospectus was made before 11 December 1986 and the exemption from filing a prospectus was granted after 10 December 1986 but before 1 January 1987;

(a.2) 75% in the case of a qualifying share of a developing corporation that is a subordinate voting share carrying a number of voting rights in the issuing corporation, in all circumstances and regardless of the number of shares held, that is not lower than 10% of the number attached to any other share of the capital stock of that corporation and that is not a share referred to in paragraph *a.1*, or that is a preferred share convertible to such a subordinate voting share;

(a.3) 50% in the case of a qualifying share of a developing corporation that is a subordinate voting share and that is not referred to in paragraphs *a.1* and *a.2* or that is a preferred share convertible to such a subordinate voting share;”;

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

“(b.1) 125% in the case of a qualifying share of a corporation described in section 965.11.7.1 acquired by the purchaser and issued as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 11 November 1986;”;

(3) by replacing paragraphs *c* to *c.3* by the following paragraphs:

“(c) 100% and 75% in the case of a qualifying share acquired by the purchaser in 1983 and in 1984 respectively and issued by a corporation whose assets are \$1 000 000 000 or over and 50% in the case of such a share that is acquired by the purchaser after 1984 that is not referred to in paragraph *b.1* and that is issued as part of a public share issue in respect of which the receipt for the final prospectus or, as the case may be, the exemption from filing a prospectus was granted before 11 December 1986, or the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted after 10 December 1986 but before 1 January 1987, or the application for an exemption from filing a prospectus was made before 11 December 1986 and the exemption from filing a prospectus was granted after 10 December 1986 but before 1 January 1987;

“(c.1) 75% in the case of a qualifying share that is a subordinate voting share acquired by the purchaser and issued after 1984 by a corporation whose assets are under \$1 000 000 000 and that is not a developing corporation where the share is acquired by the purchaser before 1986 or is issued as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted before 24 April 1985;

“(c.2) 75% in the case of a qualifying share that is a common share with full voting rights acquired by the purchaser and issued after 1985 by a corporation whose assets are under \$1 000 000 000 and that is not a developing corporation where the share is not referred to in paragraph *b.1* and is issued as part of a public share issue in respect of which the receipt for the final prospectus or, as the case may be, the exemption from filing a prospectus was granted after 23 April 1985 and the receipt or exemption was granted before 11 December 1986, or the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted after 10 December 1986 but before 1 January 1987, or the application for an exemption from filing a prospectus was made before 11 December 1986 and the exemption from filing a prospectus was granted after 10 December 1986 but before 1 January 1987;

“(c.3) 50% in the case of a qualifying share that is a subordinate voting share acquired by the purchaser and issued after 1985 by a corporation whose assets are under \$1 000 000 000 and that is not a developing corporation where the share is issued as part of a public share issue in respect of which the receipt for the final prospectus or, as the case may be, the exemption from filing a prospectus was granted after 23 April 1985 and the receipt or exemption was granted before 11 December 1986, or the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted after 10 December 1986 but before 1 January 1987, or the application for an exemption from filing a prospectus was made before 11 December 1986 and the exemption from filing a prospectus was granted after 10 December 1986 but before 1 January 1987;

“(c.4) 50% in the case of a qualifying share that is issued by a corporation whose assets are \$250 000 000 or more and that is not referred to in paragraph *b.1*, *c*, *c.1*, *c.2* or *c.3*;

“(c.5) 75% in the case of a qualifying share that is a common share with full voting rights issued by a corporation whose assets are lower than \$250 000 000 and that is not a developing corporation where the share is not referred to in paragraph *b.1* or *c.2*;

“(c.6) 50% in the case of a qualifying share that is a subordinate voting share issued by a corporation whose assets are lower than \$250 000 000 and that is not a developing corporation where the share is not referred to in paragraph c.1 or c.3; or”.

(2) This section has effect from 11 December 1986, except that, where it enacts paragraph b.1 of section 965.6 of the Taxation Act, it has effect from 12 November 1986, and where, in amending the said section 965.6, it inserts therein a reference to an investment fund, it applies from 1 January 1988.

c. 1-3,
s. 965.6.0.2,
replaced

87. (1) Section 965.6.0.2 of the said Act, enacted by section 46 of chapter 21 of the statutes of 1987, is replaced by the following sections:

Adjusted
cost of
qualifying
share

“**965.6.0.2** For the purposes of section 965.6, the adjusted cost of a qualifying share acquired by an individual, an investment group or an investment fund by exercising a subscription right conferred as part of a public share issue in respect of which the receipt for the final prospectus or an exemption from filing a prospectus was granted after 1 May 1986 shall be computed as though the date of the receipt for the final prospectus or of the exemption from filing a prospectus were in the year in which the share was acquired.

Adjusted
cost of
qualifying
security

“**965.6.0.3** The adjusted cost of a qualifying security for an individual is obtained by multiplying the cost of the security for the individual, determined without taking into account the borrowing costs, subscription or custody fees or other similar costs related to the security, by

(a) the percentage stipulated in that respect in the final prospectus relating to its issue; or

(b) where it is so stipulated in the final prospectus relating to its issue, the percentage determined not later than sixty days after the year of its issue and obtained by estimating, as a percentage, the proportion between the ratio of the adjusted cost of the aggregate of all qualifying shares purchased in that year by the investment fund, to the proceeds of the issue of the valid qualifying securities issued in the year and held on 31 December in that year by the investment fund, and the proceeds of the issue.”

(2) This section applies from 1 January 1988.

c. 1-3,
s. 965.6.8,
replaced

88. (1) Section 965.6.8 of the said Act, enacted by section 47 of chapter 21 of the statutes of 1987, is replaced by the following section:

Stock
ownership
plan

“965.6.8 A stock ownership plan is a plan which is instituted by a qualified corporation other than a corporation described in section 965.11.7.1 to enable only its eligible employees to acquire qualifying shares of its capital stock as part of a public share issue and which meets the requirements of this chapter.”

(2) This section has effect from 11 November 1986.

c. 1-3,
s. 965.6.15,
am.

89. (1) Section 965.6.15 of the said Act, enacted by section 47 of chapter 21 of the statutes of 1987, is amended by replacing the second paragraph by the following paragraphs:

Acquisition
of qualifying
shares

“Where the acquisition of qualifying shares may be made on a continuous basis at least once a year during the term of the plan, the plan may, instead of providing eligible employees with means of financing, or in addition thereto, according to the terms and conditions prescribed in section 965.6.17 and identical for all eligible employees, provide them with means to accumulate, by way of at-source deductions, the necessary savings for the acquisition of the qualifying shares they may acquire under the plan, up to the amount of the acquisition.

Financing

For the purposes of the first paragraph, the amount of financing provided may be less than the amount of the acquisition, to such extent as it is limited by a provision of an Act or as it is provided to complete the amount accumulated by means of at-source deductions for the acquisition of qualifying shares.”

(2) This section has effect from 11 December 1986.

c. 1-3,
ss. 965.6.17
and
965.6.18,
replaced

90. (1) Sections 965.6.17 and 965.6.18 of the said Act, enacted by section 47 of chapter 21 of the statutes of 1987, are replaced by the following sections:

Stock
ownership
plan

“965.6.17 Every stock ownership plan shall provide the terms of repayment of a loan and the terms shall be favourable to the employees.

Stock
ownership
plan

“965.6.18 A stock ownership plan may provide clauses applicable in the event of an eligible employee’s death, retirement, illness or layoff, the sale or transfer of shares acquired under the plan, an eligible employee’s failure to repay his loan or any other situation that may compromise repayment of the loan or any subscription agreement entered into by an eligible employee.”

(2) Where this section replaces section 965.6.17 of the Taxation Act, it has effect from 2 May 1986, except that for the application of the said section 965.6.17 to the period preceding 11 December 1986, section 965.6.17 as enacted by this section shall be read as follows:

Stock
ownership
plan

“965.6.17 Every stock ownership plan shall provide the terms of repayment of a loan, which shall be favourable to the employees.”

(3) Where this section replaces section 965.6.18 of the Taxation Act, it has effect from 11 December 1986.

c. I-3, chap.
II.3 and ss.
965.6.21-
965.6.24,
added

91. (1) The said Act is amended by inserting, after section 965.6.20, the following chapter:

“CHAPTER II.3

“INVESTMENT FUND

Investment
fund

“965.6.21 An investment fund is an unincorporated mutual fund or a mutual fund within the meaning of the Securities Act (R.S.Q., chapter V-1.1) which meets the requirements of this chapter.

Québec
resident

“965.6.22 An investment fund shall be established in Québec and the trustee or the administrator of an investment fund shall be resident in Québec.

Public secu-
rity issue

“965.6.23 When making, in any year, a public security issue consisting of securities that may be included in a stock savings plan, the investment fund shall stipulate in the final prospectus relating to their issue that it agrees to meet the following requirements:

(a) to use all or part of the proceeds of the issue for the acquisition of qualifying shares;

(b) to be the owner, on 31 December in the year, of qualifying shares acquired by the fund during the year with the proceeds of the issue of securities that are valid qualifying securities, other than qualifying shares that have already been used in respect of the year for the purposes of this paragraph, and whose adjusted cost is not less than the adjusted cost of the aggregate of all qualifying securities issued by the fund in the year and constituting valid qualifying securities;

(c) to be the owner, on 31 December in the year and in each of the ensuing two years, of qualifying shares, other than qualifying shares that have already been used in respect of the same year for the purposes of this paragraph, whose adjusted cost is not less than the adjusted cost of the aggregate of all qualifying securities issued by the fund in the year and constituting valid qualifying securities.

Final
prospectus

“965.6.24 Where an investment fund stipulates in a final prospectus relating to a public security issue the percentage to be used for the purposes of paragraph a of section 965.6.0.3, it shall also stipulate

the portion of the adjusted cost of the qualifying security to be considered as the portion that may reasonably be allocated to the purchase of qualifying shares referred to in paragraphs *a.3*, *c*, *c.4* and *c.6* of section 965.6.”

(2) This section applies from 1 January 1988.

c. 1-3,

s. 965.7, am.

92. (1) Section 965.7 of the said Act, amended by section 48 of chapter 21 of the statutes of 1987, is again amended

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

“(d) it is issued by a qualified corporation which states, in the final prospectus or the application for exemption from filing a prospectus, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this title;”;

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

“(d.1) where its investment is made in accordance with a receipt from the Commission des valeurs mobilières du Québec, it was the subject, before the issue of the receipt, of a favourable advanced ruling from the Ministère du Revenu to the effect that it respects the objectives of this title;”;

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

“(e) it is acquired for money consideration within the scope of a public share issue by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary or as firm underwriter;”.

(2) Where this section replaces paragraph *d* of section 965.7 of the Taxation Act, it applies as regards a public share issue in respect of which the receipt for the final prospectus or an exemption from filing a prospectus was granted after 11 November 1986.

(3) Where this section enacts paragraph *d.1* of section 965.7 of the Taxation Act, it applies as regards a public share issue in respect of which the receipt for the final prospectus was granted after 30 April 1987.

(4) Where this section replaces paragraph *e* of section 965.7 of the Taxation Act, it applies from 1 January 1988.

c. 1-3,

s. 965.9.1,
am.

93. (1) Section 965.9.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

Qualifying
share

“For the purposes of this section, a share issued by a developing corporation described in section 965.14, 965.16, 965.16.0.1 or 965.16.0.2 is a qualifying share even if the corporation does not meet the requirement of paragraph *e* of section 965.10.”

(2) This section applies as regards a public share issue in respect of which the receipt for the final prospectus or an exemption from filing a prospectus was granted after 1 May 1986, except that where, in replacing the second paragraph of section 965.9.1 of the Taxation Act, it adds thereto a reference to section 965.16.0.2, it applies as regards a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 10 December 1986.

c. 1-3,
s. 965.9.1.1,
added

94. (1) The said Act is amended by inserting, after section 965.9.1, the following section:

Share
qualifying
for stock
savings plan

“**965.9.1.1** A share also qualifies for a stock savings plan if

(a) it is acquired by an investment fund in a distribution of shares for which an exemption from filing a prospectus is provided under section 51 of the Securities Act (R.S.Q., chapter V-1.1);

(b) without reference to paragraphs *d*, *d.1*, *e* and *g* of section 965.7 and paragraph *f* of section 965.8, the share would be a qualifying share;

(c) before the distribution, it was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this title; and

(d) it is issued by a qualified corporation having common shares of its capital stock carrying voting rights that were registered with a stock exchange in Québec after 5 July 1973, or that were or are, after that date, the object of a distribution under the conditions provided for in paragraph 1 of section 68 or 338 of the Securities Act or, after the same date, that were distributed in accordance with an authorization granted by the Régie de l'électricité et du gaz before 22 June 1979.”

(2) This section applies from 1 January 1988.

c. 1-3,
s. 965.9.3,
replaced

95. (1) Section 965.9.3 of the said Act is replaced by the following section:

Restriction
based on
citizenship

“**965.9.3** For the purposes of this title, a share that otherwise would be or would have been a share with voting rights in all circumstances if the voting rights that are or were attached thereto

did not involve or had not involved any restriction based on the citizenship or the residence of the shareholder, on a shareholding ceiling or on the regulations governing a sector of activities, or required by any exceptional or unusual situation or by any other situation, is or was a share carrying voting rights in all circumstances if the Minister so decides.”

(2) This section has effect from 11 December 1986.

c. I-3,
s. 965.9.5.1,
added

96. (1) The said Act is amended by inserting, after section 965.9.5, the following section:

Particular
corporation

“965.9.5.1 For the purposes of sections 965.9.4 and 965.9.5, where the use that is indicated in the final prospectus or in the application for an exemption from filing a prospectus or that is inferred therefrom as regards the whole or part of the proceeds of a public share issue is the repayment of a loan or of any other debt contracted by a particular corporation within a reasonable time preceding or following the date of the receipt for the final prospectus or of the exemption from filing a prospectus, or the redemption of shares or of any other security issued within such time, for the payment of shares or of any other negotiable instrument issued by another corporation, and the issuing corporation results from the amalgamation, within the meaning of section 544, of the particular corporation and of the other corporation, the issuing corporation must be deemed to be, immediately after the acquisition mentioned in section 965.9.4, the particular corporation.”

(2) This section applies as regards a public share issue in respect of which a receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986.

c. I-3,
s. 965.9.7,
replaced

97. (1) Section 965.9.7 of the said Act, enacted by section 50 of chapter 21 of the statutes of 1987, is replaced by the following sections:

Restriction

“965.9.7 Section 965.9.4 does not apply where the issuing corporation is

(a) a corporation to which the Bank Act (Statutes of Canada) or the Québec Savings Banks Act (Statutes of Canada) applies;

(b) a body governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4), by the Canadian and British Insurance Companies Act (Statutes of Canada) or by the Act respecting insurance (R.S.Q., chapter A-32);

(c) a corporation holding a licence or otherwise authorized by the laws of Canada or of a province to offer its services there as a trustee;

(d) a corporation whose principal business is the lending of money or the purchasing of debts; or

(e) a corporation referred to in section 965.11.7.1.

Security
qualifying
for stock
savings plan

“965.9.8 A security also qualifies for a stock savings plan if

(a) it is issued by an investment fund which states, in the final prospectus relating to the issue of the security, that the security may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the security by this title;

(b) it is acquired for money consideration by an individual;

(c) before the issue of a receipt for a final prospectus relating to its issue, it was the subject of a favourable advanced ruling from the Ministère du Revenu to the effect that it respects the objectives of this title;

(d) the certificate attesting to it is kept, according to the terms of an arrangement provided for in the third paragraph of section 965.2, by the investment fund that issued the security.”

(2) Where this section replaces section 965.9.7 of the Taxation Act, it applies as regards a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 11 November 1986.

(3) Where this section enacts section 965.9.8 of the Taxation Act, it applies to a qualifying security acquired after 31 December 1987.

c. I-3,
s. 965.10,
am.

98. (1) Section 965.10 of the said Act, amended by section 51 of chapter 21 of the statutes of 1987, is again amended

(1) by striking out paragraph *b*;

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

“(d) not more than 50% of the value of its property, as shown in its financial statements submitted to the shareholders for its last taxation year ended before that date is constituted of shares, stocks, promissory notes, debentures, bonds, any other debt securities, guaranteed investment certificates, units of a mutual trust fund, units representing an undivided share in a project or property, subscription rights or purchasing rights to such shares that are not property described in section 965.11 or cash in hand or on deposit; and”.

(2) Paragraph 1 of subsection 1 applies as regards a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 10 December 1986, except where the work surrounding the preparation of the prospectus or the application for an exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu before 10 January 1987, and such approval has been obtained.

(3) Paragraph 2 of subsection 1 applies in respect of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986.

c. I-3,
s. 965.11.1,
am.

99. (1) Section 965.11.1 of the said Act is amended by striking out paragraph *b*.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu before 10 January 1987, and such approval has been obtained.

c. I-3,
s. 965.11.5,
am.

100. (1) Section 965.11.5 of the said Act, enacted by section 56 of chapter 21 of the statutes of 1987, is amended by striking out paragraph *b*.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu before 10 January 1987, and such approval has been obtained.

c. I-3, s.
965.11.7.1,
added

101. (1) The said Act is amended by inserting, after section 965.11.7, the following section:

Qualified
corporation

“965.11.7.1 A corporation that is certified by the Minister of Industry and Commerce as a regional venture capital corporation and makes a public share issue after 11 November 1986 is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,

- (a) it fulfils the requirements of paragraphs *a* and *c* of section 965.10;
 - (b) its corporate seat or principal place of business is in Québec;
 - (c) its authorized capital stock consists of only one class of shares;
- and

(d) its activities consist almost exclusively in investing its funds, as a member, in a regional joint investment venture which is operated as a limited partnership certified by the Minister of Industry and Commerce.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 11 November 1986.

c. I-3,
ss. 965.11.8
and
965.11.9,
replaced

102. (1) Sections 965.11.8 and 965.11.9 of the said Act, enacted by section 56 of chapter 21 of the statutes of 1987, are replaced by the following sections:

Qualified
corporation

“965.11.8 For the purposes of this title, “qualified corporation” does not include a corporation that, between 7 May 1986 and 16 December 1986, purchases or redeems in any manner whatever, directly or indirectly, a share of a class of its capital stock, other than a fractional share, issued with the stipulation that it could be included in a stock savings plan or belonging to a class of shares some of which were issued with such a stipulation.

Applicability

The first paragraph applies until the corporation has made an issue of shares of its capital stock that meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares, for an amount equal to or greater than the amount of the purchase, the redemption or the adjusted cost of all the shares of its capital stock issued with the stipulation that they could be included in a stock savings plan.

Restriction

The first paragraph does not apply in respect of

- (a) a share purchased or redeemed to meet the requirements of an Act or the regulations governing a sector of activities;
- (b) a share that, at the time of the purchase or redemption, does not belong to a class of shares some of which were issued formerly with a stipulation that they could be included in a stock savings plan;
- (c) a share purchased or redeemed by virtue of an obligation stated in the articles of the corporation before 7 May 1986.

Qualified
corporation

“965.11.9 For the purposes of this title, “qualified corporation” does not include a corporation whose shares of a class of its capital stock are or have been, between 7 May 1986 and 16 December 1986, the subject of a transaction or operation or series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of a class of its capital stock issued with the stipulation that it could be included in a stock savings plan.

Applicability

The first paragraph applies until the corporation has made an issue of shares of its capital stock that meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares, for an amount that, in the opinion of the Minister, is equal to or greater than the amount that would have been disbursed for the acquisition of the shares which, but for such a transaction or operation or series of transactions or operations, would have been purchased or redeemed.

Restriction

The first paragraph does not apply in respect of

(a) a share that has been the subject of a transaction or operation or series of transactions or operations to the extent that the transaction or operation or series of transactions or operations is effected to meet the requirements of an Act or the regulations governing a sector of activities;

(b) a share that has been the subject of a transaction or operation or series of transactions or operations and, at the time of the transaction or operation or series of transactions or operations, does not belong to a class of shares some of which were issued formerly with a stipulation that they could be included in a stock savings plan;

(c) a share that has been the subject of a transaction or operation or series of transactions or operations made by virtue of an obligation stated in the articles of the corporation before 7 May 1986.”

(2) This section has effect from 7 May 1986.

c. I-3,
s. 965.11.10,
repealed

103. (1) Section 965.11.10 of the said Act, enacted by section 56 of chapter 21 of the statutes of 1987, is repealed.

(2) This section has effect from 7 May 1986.

c. I-3,
ss. 965.11.11-
965.11.20,
added

104. (1) The said Act is amended by inserting, after section 965.11.10, the following sections:

Qualified
corporation

“965.11.11 For the purposes of this title, “qualified corporation” does not include a corporation that, after 16 December 1986, purchases or redeems in any manner whatever, directly or indirectly, a share of a class of its capital stock other than a share described in section 965.11.12.

Applicability

The first paragraph applies until the corporation has made an issue of shares of its capital stock which meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares, for an amount equal to or greater than the amount of the purchase or redemption.

Share
referred
to in
s. 965.11.11

“965.11.12 A share to which section 965.11.11 refers is

(*a*) a share that is a fractional share;

(*b*) a share that can, under the conditions pertaining to its issue, be redeemed by the issuing corporation or purchased by anyone, directly or indirectly, in any manner whatever, and that was not received as part of a large distribution of surplus made after 16 December 1986 or, as a result of a transaction referred to in section 301, 536, 541 or 544 in respect of a share meeting, at the time of its issue, the requirement of paragraph *c* of section 965.7 or in respect of a share substituted for such a share;

(*c*) a share purchased or redeemed to meet the requirements of an Act or the regulations governing a sector of activities;

(*d*) a share issued with a stipulation that it could be included in a stock savings plan or a share belonging to a class of shares some of which were issued with such a stipulation and that is purchased or redeemed by virtue of an obligation stated in the articles of a corporation before 7 May 1986; or

(*e*) a share not described in paragraphs *a* to *d* and purchased or redeemed by virtue of an obligation stated in the articles of a corporation before 17 December 1986.

Qualified
corporation

“965.11.13 For the purposes of this title, “qualified corporation” does not include a corporation whose shares of a class of its capital stock are or have been, after 16 December 1986, the subject of a transaction or operation or series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.11.14.

Applicability

The first paragraph applies until the corporation has made, for an amount determined in section 965.11.15, an issue of shares of its capital

stock which meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares or until shares of the capital stock of the corporation have been the subject of a transaction or operation or series of transactions or operations, for an amount determined in section 965.11.15, if in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the issue of shares of the capital stock of the corporation that meet the requirement of paragraph *c* of section 965.7.

Share
referred
to in
s. 965.11.13

“965.11.14 A share to which section 965.11.13 refers is

- (a) a share that is a fractional share;
- (b) a share that can, under the conditions pertaining to its issue, be redeemed by the issuing corporation or purchased by anyone, directly or indirectly, in any manner whatever, and that was not received as part of a large distribution of surplus made after 16 December 1986 or, as a result of a transaction referred to in section 301, 536, 541 or 544, in respect of a share meeting, at the time of its issue, the requirement of paragraph *c* of section 965.7 or in respect of a share substituted for such a share;
- (c) a share that is the subject of a transaction or operation or series of transactions or operations where the transaction or operation or series of transactions or operations is effected to meet the requirements of an Act or the regulations governing a sector of activities;
- (d) a share issued with a stipulation that it could be included in a stock savings plan or a share belonging to a class of shares some of which were issued with such a stipulation and that is the subject of a transaction or operation or series of transactions or operations where the transaction or operation or series of transactions or operations is effected by virtue of an obligation stated in the articles of a corporation before 7 May 1986; or
- (e) a share not described in paragraphs *a* to *d* and that is the subject of a transaction or operation or series of transactions or operations where the transaction or operation or series of transactions or operations is effected by virtue of an obligation stated in the articles of a corporation before 17 December 1986.

Minimum
amount

“965.11.15 The amount to which the second paragraph of section 965.11.13 refers is an amount that, in the opinion of the Minister, is equal to or greater than the amount that would have been disbursed for the acquisition of the shares which, but for a transaction or operation or series of transactions or operations referred to in the first paragraph of section 965.11.13, would have been purchased or redeemed.

Power of
Minister

“965.11.16 Without restricting the generality of the first paragraph of section 965.11.13, the Minister may exercise his power under that paragraph, in particular, where shares of the capital stock of a corporation that are not described in section 965.11.14 are acquired by a person related to the corporation.

Qualified
corporation

“965.11.17 For the purposes of this title, “qualified corporation” does not include a corporation whose net shareholders’ equity is modified, directly or indirectly, in any manner whatever, as a result of a transaction or operation or series of transactions or operations other than a transaction or operation or series of transactions or operations referred to in section 965.11.19 if in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.11.18.

Applicability

The first paragraph applies until the corporation has made an issue of shares of its capital stock which meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares or until the net shareholders’ equity of the corporation has been the subject of a transaction or operation or series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the issue of such shares of the capital stock of the corporation, for an amount which, in the opinion of the Minister, is equal to or greater than the amount by which the net shareholders’ equity was modified.

Distribution

Without restricting the generality of the foregoing, the Minister may render such a decision where, in particular, a corporation makes a large distribution of its surplus, except such a distribution in shares of its capital stock.

Share
referred
to in
s. 965.11.17

“965.11.18 A share to which the first paragraph of section 965.11.17 refers is

(a) a share that is a fractional share;

(b) a share that can, under the conditions pertaining to its issue, be redeemed by the issuing corporation or purchased by anyone, directly or indirectly, in any manner whatever, and that was not received as part of a large distribution of surplus made after 16 December 1986 or, as a result of a transaction referred to in section 301, 536, 541 or 544, in respect of a share meeting, at the time of its issue, the requirement of paragraph *c* of section 965.7 or in respect of any share substituted for such a share.

Transac-
tions or
operations

“965.11.19 A transaction or operation or series of transactions or operations referred to in the first paragraph of section 965.11.17 is a transaction or operation or series of transactions or operations effected to meet the requirements of an Act or the regulations governing a sector of activities or effected by virtue of an obligation stated in the articles of a corporation before 17 December 1986.

Qualified
corporation

“965.11.20 For the purposes of this title, “qualified corporation” does not include a corporation that effects a transaction or operation or series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is effected to meet the requirements of paragraph *d* or *e* of section 965.10.”

(2) This section has effect from 17 December 1986. However, where it enacts section 965.11.20 of the Taxation Act, it applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986, except where the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted before 1 January 1987 or where an application for exemption from filing a prospectus was made before 11 December 1986 and such exemption was granted before 1 January 1987.

c. I-3,
s. 965.15,
am.

105. (1) Section 965.15 of the said Act is amended

(1) by replacing the period at the end of paragraph *c* by the word “; and”;

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

“(d) its assets are less than \$250 000 000.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986, except where the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted before 1 January 1987 or where an application for exemption from filing a prospectus was made before 11 December 1986 and such exemption was granted before 1 January 1987.

c. I-3,
s. 965.16,
am.

106. (1) Section 965.16 of the said Act is amended by replacing paragraph *c* by the following paragraph:

“(c) one of the subsidiary corporations meets the requirements of paragraphs *a* to *e* of section 965.13 or *a* to *d* of section 965.15;”.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986, except where the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted before 1 January 1987 or where an application for exemption from filing a prospectus was made before 11 December 1986 and such exemption was granted before 1 January 1987.

c. I-3,
s. 965.16.0.1,
am.

107. (1) Section 965.16.0.1 of the said Act, enacted by section 58 of chapter 21 of the statutes of 1987, is amended by replacing paragraph *c* by the following paragraph:

“(c) one of the subsidiary corporations referred to in paragraph *b* resulting from an amalgamation within the meaning of section 544 within the 365 days before that date meets the requirements of paragraphs *a* and *b* of section 965.16.1 and one of the predecessor corporations meets the requirement of paragraph *c* of the said section 965.16.1;”.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 18 June 1987.

c. I-3,
s. 965.16.0.2,
added

108. (1) The said Act is amended by inserting, after section 965.16.0.1, the following section:

Developing
corporation

“965.16.0.2 A corporation making a public share issue after 10 December 1986 during the period of 365 days following its incorporation is a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus, it meets the requirements of paragraphs *a* to *c* and *e* of section 965.16 or *a* to *c* and *e* of section 965.16.0.1.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986.

c. I-3,
s. 965.16.1,
am.

109. (1) Section 965.16.1 of the said Act, amended by section 59 of chapter 21 of the statutes of 1987, is again amended by replacing what precedes paragraph *b* by the following:

Amalgama-
tion

“**965.16.1** A qualified corporation resulting from an amalgamation within the meaning of section 544 that makes a public share issue after 18 June 1987 and not later than 365 days after the amalgamation is a developing corporation if,

(a) on the date of the receipt for the final prospectus or the exemption from filing a prospectus it meets the requirements of paragraphs *a*, *b*, *d* and *e* of section 965.13 or *a* and *b* of the said section 965.13 and *b* to *d* of section 965.15;”.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986, except where the receipt for the preliminary prospectus was granted before 11 December 1986 and the receipt for the final prospectus was granted before 1 January 1987 or where an application for exemption from filing a prospectus was made before 11 December 1986 and such exemption was granted before 1 January 1987. However, where it replaces that part of section 965.16.1 of the Taxation Act which precedes paragraph *a* of the said section, it applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 18 June 1987.

c. I-3,
ss. 965.18-
965.19.1,
replaced
Deductible
amount

110. (1) Sections 965.18 to 965.19.1 of the said Act are replaced by the following sections:

“**965.18** An individual who is resident in Québec on the last day of a taxation year and who, during the year, purchases a qualifying share or qualifying security and includes it in a stock savings plan under which he is a beneficiary, may deduct in computing his taxable income for the year, in respect of the aggregate of the plans, an amount not exceeding the lesser of

(a) the adjusted cost of the qualifying shares and qualifying securities purchased by him during the year and that he included in the plans not later than 31 January of the following year; and

(b) the adjusted cost of the stocks, shares and securities included in the plans at the end of the year, including those purchased by him during the year and that he included in the plans during the month of January of the following year, less the amount by which the amounts deducted by him under section 726.1 for the preceding two years exceeds any amount described in section 310 that he is required to include in computing his income for the preceding year in respect of a stock savings plan.

Maximum
deduction

“965.19 In no case may the amount of the deduction provided for in section 965.18 in respect of an individual exceed the lesser of the aggregate determined under section 965.19.1 and the amount obtained by subtracting the adjusted cost of the shares mentioned in paragraph *b* of section 965.6 purchased by him and in respect of which he deducts an amount, during the year, pursuant to section 776.1.1 or 776.1.2, from the lesser of 10% of his total income for the year and \$5 500.

Computation

“965.19.1 The aggregate contemplated in section 965.19 in respect of an individual referred to in the said section is equal to the aggregate of the following amounts:

(a) \$1 000;

(b) the adjusted cost of the qualifying shares, other than a qualifying share referred to in paragraphs *a.3*, *c*, *c.4* and *c.6* of section 965.6, that the individual purchased during the year and that he included in a stock savings plan not later than 31 January of the following year;

(c) the adjusted cost of the qualifying securities issued by an investment fund, other than that portion of the adjusted cost which may reasonably be attributed to the purchase by the investment fund of qualifying shares referred to in paragraphs *a.3*, *c*, *c.4* and *c.6* of section 965.6, that the individual purchased during the year and that he included in a stock savings plan not later than 31 January of the following year.”

(2) This section, where it replaces section 965.18 of the Taxation Act, applies from 1 January 1988.

(3) This section, where it replaces section 965.19 of the Taxation Act, applies from the taxation year 1986. However, for the purposes of section 965.19 of the said Act as it applies to the taxation year 1986, the said section 965.19 shall be read as follows:

Maximum
deduction

“965.19 In no case may the amount of the deduction provided for in section 965.18 exceed the lesser of the aggregate determined under section 965.19.1 and the amount obtained by subtracting the deductible amounts in computing the individual's income for the year under paragraph *c* of section 70, section 72.1 and paragraph *b* of section 339 and the adjusted cost of the shares mentioned in paragraph *b* of section 965.6 purchased by him and in respect of which he deducts an amount, during the year, pursuant to section 776.1.1 or 776.1.2, from the lesser of

(a) 20% of his total income for the year, and

(b) \$12 000.

Deductible
amount

For the purposes of the first paragraph, a deductible amount in computing the income of an individual under paragraph *b* of section 339 is deemed to include only an amount deductible under section 922 or 923 in that computation."

(4) This section, where it replaces section 965.19.1 of the Taxation Act, has effect from 11 December 1986. However, where it enacts paragraph *c* of section 965.19.1 of the said Act, it applies from 1 January 1988.

c. I-3,
s. 965.20,
replaced

111. (1) Section 965.20 of the said Act, amended by section 61 of chapter 21 of the statutes of 1987, is replaced by the following section:

Included
amounts

"965.20 An individual resident in Québec on the last day of a taxation year who, during that year, withdraws a stock, share or a security from a stock savings plan under which he is a beneficiary, shall include in computing his income for the year, in respect of the aggregate of the plans, the lesser of

(a) the adjusted cost of the stocks, shares and securities withdrawn by him from the plans during the year; and

(b) the amounts deducted by him under section 726.1 for the preceding two taxation years less any amount described in section 310 which he was to include in computing his income for the preceding year in respect of a stock savings plan, and less the adjusted cost of the stocks, shares and securities included in the plans at the end of the year, including those purchased by him during the year and which he included in the plans during the month of January of the following year.

Member of
investment
group

For the purposes of the first paragraph, where the individual is a member of an investment group and where during the taxation year the investment group withdraws a stock or share from a stock savings plan under which it is a beneficiary, that stock or share constitutes, up to the amount of the individual's interest in the investment group indicated in the declaration filed with the dealer or, where such is the case, determined in paragraph *c* of section 965.6.5 or in paragraph *b* of section 965.6.6, a stock or share withdrawn by the individual from a stock savings plan under which he is a beneficiary."

(2) This section applies from 1 January 1988.

c. I-3,
s. 965.20.1.1,
added

112. (1) The said Act is amended by inserting, after section 965.20.1, the following section:

Applicable
provisions

“965.20.1.1 Section 965.20.1, adapted as required, applies to an individual who, during a year, withdraws a security he had included in a stock savings plan.”

(2) This section applies from 1 January 1988.

c. I-3,
s. 965.24.1,
added

113. (1) The said Act is amended by inserting, after section 965.24, the following:

“CHAPTER VIII.1

“OBLIGATION

Public issue
of shares

“965.24.1 A qualified corporation that makes a public issue of shares of its capital stock with a stipulation that they can be included in a stock savings plan is required to take the necessary steps to have such shares listed on the Montréal Stock Exchange not later than 60 days after the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of their issue.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 11 November 1986 in the case of a corporation contemplated in section 965.11.7.1 of the Taxation Act and after 10 December 1986 in other cases, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu before 10 January 1987 and such approval has been obtained.

c. I-3,
ss. 965.26.1
and
965.26.2,
added

114. (1) The said Act is amended by inserting, after section 965.26, the following sections:

Record of
transactions

“965.26.1 Every investment fund with which an individual has made an arrangement for a stock savings plan shall keep in Québec a record indicating, in a separate account, all the transactions effected on behalf of that individual under that plan.

Statement

“965.26.2 Every trustee or administrator of an investment fund shall transmit to the Minister a statement indicating that the undertakings of the investment fund specified in section 965.6.23 are fulfilled.

Filing of
statement

The statement must be filed within the three months following each year provided for in section 965.6.23.”

(2) This section applies from 1 January 1988.

c. I-3,
s. 965.27,
replaced

115. (1) Section 965.27 of the said Act is replaced by the following section:

Fiscal
return

“965.27 An individual who avails himself of this title shall attach to his fiscal return filed for a taxation year in accordance with section 1000 a statement in the prescribed form concerning the stock savings plans under which he is a beneficiary or those under which an investment group of which he is a member is a beneficiary together with a copy of the declarations in the prescribed form received by him in the year in respect of those plans from the dealers, federations or investment funds mentioned in section 965.2.”

(2) This section applies from 1 January 1988.

c. I-3,
s. 965.29,
am.

116. (1) Section 965.29 of the said Act, amended by section 63 of chapter 21 of the statutes of 1987, is again amended by replacing paragraph *c* by the following paragraph:

“interest in
a qualified
investment”

“(c) “interest in a qualified investment” of a shareholder means the portion of a qualified investment of a Québec business investment company represented by the proportion, immediately before the time a qualified investment is made by the Québec business investment company, that the paid-up capital of the common shares with full voting rights of the share capital of the Québec business investment company beneficially owned by the shareholder is of the total paid-up capital of all issued and paid-up common shares with full voting rights of the share capital of the Québec business investment company except, where the Québec business investment company allocates to a shareholder it selects all or part of a qualified investment as participation in the qualified investment, the amount accepted as such in respect of the shareholder by the Société de développement industriel du Québec;”.

(2) This section has effect from 11 December 1986.

c. I-3,
s. 965.38,
replaced

117. (1) Section 965.38 of the said Act is replaced by the following section:

Maximum
deduction

“965.38 Notwithstanding section 965.37, in no case may the amount of the deduction provided for in the said section exceed the amount obtained by subtracting the deductible amount in computing the individual's taxable income for the year under section 965.18 and the adjusted cost of the shares mentioned in paragraph *b* of section 965.6 purchased by him and in respect of which he deducts an amount, during the year, pursuant to section 776.1.1 or 776.1.2 from the lesser of 10% of his total income for the year and \$5 500.”

(2) This section applies from the taxation year 1986. However, for the purposes of application, for the taxation year 1986, of section 965.38 of the Taxation Act, as enacted by this section, the said section 965.38 shall be read as follows:

Maximum
deduction

"965.38 Notwithstanding section 965.37, in no case may the amount of the deduction provided for in the said section exceed the amount obtained by subtracting the deductible amounts in computing the individual's income for the year under paragraph *c* of section 70, section 72.1, paragraph *b* of section 339 and section 965.18 and the adjusted cost of the shares mentioned in paragraph *b* of section 965.6 purchased by him and in respect of which he deducts an amount, during the year, pursuant to section 776.1.1 or 776.1.2, from the lesser of

(a) 20% of his total income for the year, and

(b) \$12 000.

Deductible
amount

For the purposes of the first paragraph, a deductible amount in computing an individual's income under paragraph *b* of section 339 is deemed to include only an amount deductible under section 922 or 923 in computing his income."

c. I-3,
s. 1006, am.

118. (1) Section 1006 of the said Act is amended by replacing the first paragraph by the following paragraph:

Determina-
tion of loss
by Minister

"1006. Where the Minister determines the amount of a taxpayer's non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss for a taxation year and the taxpayer did not report that amount as such loss in his fiscal return for that year in accordance with section 1000, he shall, at the request of the taxpayer, determine, with all due dispatch, the amount of such loss, and shall send a notice of determination to the person by whom the return was filed."

(2) This section has effect from 26 February 1986.

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

119. (1) Section 1012.1 of the said Act, amended by section 182 of chapter 67 of the statutes of 1987, is again amended

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

"(b.1) paragraph *h* of section 312 in respect of a grant referred to therein,";

(2) by striking out the word "or" at the end of paragraph *d.1*;

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

“(d.2) section 752.13 in respect of his alternative minimum tax for a subsequent taxation year;”;

(4) by replacing the period at the end of paragraph *e* by a semicolon;

(5) by adding, after paragraph *e*, the following paragraph:

“(f) an election made by his legal representative under section 1054 for a subsequent taxation year.”

(2) Paragraph 1 of subsection 1 applies in respect of grants received after 31 December 1985.

(3) Paragraphs 2 to 5 of subsection 1 apply to a taxation year commencing after 31 December 1983.

c. I-3,
s. 1015, am. **120.** (1) Section 1015 of the said Act is amended by replacing what follows paragraph *q* by the following:

“shall 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.”

(2) This section applies from 1 January 1988.

c. I-3,
s. 1025, am. **121.** Section 1025 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) on or before 31 December in each taxation year, an amount equal to two-thirds of his tax for the year estimated in accordance with section 1004, computed without reference to sections 776.6 to 776.20 and, for the taxation year 1986, computed without reference to Book V.1, or of his basic provisional account, established in the prescribed manner for the preceding year; and”.

c. I-3,
s. 1026, am. **122.** Section 1026 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) on or before 31 March, 30 June, 30 September and 31 December in each taxation year, an amount equal to one-fourth of

his tax for the year estimated in accordance with section 1004, computed without reference to sections 776.6 to 776.20 and, for the taxation year 1986, computed without reference to Book V.1, or of his basic provisional account, established in the prescribed manner for the preceding year, and”.

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

123. (1) Section 1029.7 of the said Act, amended by section 183 of chapter 67 of the statutes of 1987, is again amended by replacing the first and second paragraphs by the following paragraphs:

Research
carried out
in Québec

“**1029.7** A corporation not mentioned in section 984 or 985 that carries on a business in Canada and undertakes or causes to be undertaken, for itself in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, is deemed to have paid to the Minister, for the taxation year during which the research and development were undertaken, as partial payment of its tax payable for that year pursuant to this Part, an amount equal to 20% of the wages it has paid during the year in respect of the research and development to its employees of an establishment situated in Québec and of the portion of the remuneration that it has paid during the year in respect of the research and development to a person who has undertaken all or part of the research and development that may be attributed to the wages of the employees of an establishment of that person situated in Québec or would be if he had such employees.

Amount
deemed
paid

Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027, the corporation is deemed to have paid to the Minister as partial payment of its tax payable pursuant to this Part, on the date on or before which each monthly payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment, and on the date on or before which the last payment is required to be paid, the balance of the amount determined under the said first paragraph.

Wages and
remunera-
tion

For the purposes of the first paragraph, the wages and remuneration paid by a corporation include only the wages and remuneration that

(a) constitute, for the corporation, a deductible expenditure referred to in subsection 1 of section 222;

(b) do not constitute all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 in respect of which section 1029.8.6 applies.”

(2) This section applies in respect of wages and remuneration paid after 30 April 1987.

c. I-3,
s. 1029.8,
am.

124. (1) Section 1029.8 of the said Act, amended by section 184 of chapter 67 of the statutes of 1987, is again amended by replacing the first and second paragraphs by the following paragraphs:

Partial pay-
ment
deemed
made

“1029.8 Where a partnership carries on a business in Canada and undertakes or causes to be undertaken, for itself in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, every corporation that is a member of the partnership at the end of a fiscal period of the latter during which the research and development were undertaken and that is not mentioned in section 984 or 985 is deemed to have paid to the Minister for the taxation year in which the said fiscal period ends, as partial payment of its tax payable for that year pursuant to this Part, its portion of an amount equal to 20% of the wages the partnership has paid during the fiscal period in respect of the research and development to its employees of an establishment situated in Québec and of the portion of the remuneration that the partnership has paid during the fiscal period in respect of the research and development to a person who has undertaken all or part of the research and development, that may be attributed to the wages paid to the employees of an establishment of that person situated in Québec or would be if he had such employees.

Amount
deemed
paid

Subject to section 1029.8.8, where a corporation referred to in the first paragraph is, at any time during the taxation year, a limited partner of a partnership within the meaning of section 613.6, the amount determined in the said paragraph that the corporation is deemed to have paid, for the taxation year in which the partnership's fiscal period ends, shall not exceed 20% of the amount by which the at-risk amount of its interest determined in respect of the partnership pursuant to sections 613.2 to 613.5 at the end of the fiscal period exceeds the amount used as the basis for computing, in respect of that fiscal period, the amount that it is deemed to have paid under section 1029.8.7.

Partial pay-
ment
deemed
made

Furthermore, for the purposes of computing the payments that a corporation referred in the first paragraph is required to make under section 1027, for its taxation year in which the fiscal period of the partnership ends, the corporation is deemed to have paid to the Minister, as partial payment of its tax payable for the year pursuant to this Part, the amount determined for the year in its respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the corporation is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which it is required to make such a payment.

Wages and
remunera-
tion

For the purposes of the first paragraph, the wages and remuneration paid by a partnership include only the wages and remuneration that

(a) constitute, for the partnership, a deductible expenditure referred to in subsection 1 of section 222;

(b) do not constitute all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development expenditure made in Québec by virtue of a qualified university research contract within the meaning of paragraph *b* of section 1029.8.1 in respect of which section 1029.8.7 applies.

Expendi-
tures of
partnership

For the purposes of this section, where expenditures in respect of scientific research and experimental development made by a partnership are not contemplated in the first paragraph for the sole reason that the scientific research and experimental development in respect of which the expenditures are made do not relate to the business or class of business of the partnership, the expenditures of the partnership are deemed to be expenditures referred to in the said paragraph where

(a) the partnership is, for the whole period during which scientific research and experimental development expenditures are made, related to another partnership no partner of which is a corporation mentioned in section 984 or 985 or to a taxpayer other than a corporation mentioned in one of the said sections that carries on a business in Canada;

(b) the scientific research and experimental development are related to the business or class of business of the other partnership or of the taxpayer contemplated in subparagraph *a* of this paragraph;

(c) the other partnership or the taxpayer contemplated in subparagraph *a* of this paragraph is entitled to exploit the results of such scientific research and experimental development.”

(2) This section applies in respect of wages and remuneration paid after 30 April 1987. However, where section 1029.8 of the Taxation Act, as enacted by this section, applies in respect of wages and remuneration paid between 30 April 1987 and 1 January 1988, the following rules apply:

(a) section 1029.8 shall be read as if it applied to an individual who is a partner in a partnership at the end of the partnership's fiscal period ending during the taxation year 1987, but only in respect of wages and remuneration referred to in the said section paid by the partnership after 30 April 1987 and during the said fiscal period out of the amounts gathered before 1 May 1987;

(b) for the purposes of paragraph *a*, the amounts gathered by a partnership before 1 May 1987 are the aggregate of

i. the amounts received by the partnership under a final prospectus in respect of which the receipt was granted before 1 May 1987;

ii. the amounts received by the partnership under a final prospectus in respect of which the receipt was granted between 30 April 1987 and 1 July 1987 if the preliminary prospectus was granted before 1 May 1987, to the extent that the amounts correspond to the amounts provided for in the preliminary prospectus;

iii. the amounts received by the partnership under a notice of offer filed before 1 May 1987, to the extent that the amounts correspond to the amounts provided for in the notice of offer;

iv. the amounts received by the partnership under the declaration of a partnership registered before 1 May 1987, to the extent that the amounts correspond to the amounts provided for in the declaration of the partnership;

v. the amounts received before 1 July 1987 and used to pay qualified wages and remuneration referred to in the said section 1029.8, to the extent that the wages and remuneration are paid pursuant to a written contract made before 30 April 1987;

(c) where a deduction provided for in section 358.2 of the Taxation Act is claimed by an individual referred to in paragraph *a* of this subsection, the said paragraph *a* does not apply to the individual.

c. 1-3, Div.
II.1 and II.2,
added **125.** (1) The said Act is amended by inserting, after section 1029.8, the following divisions:

“DIVISION II.1

“CREDIT FOR UNIVERSITY RESEARCH

“§ 1.—*Interpretation*

Interpreta-
tion

“**1029.8.1** In this division,

“*university
researcher*”

(a) “university researcher” means an individual who is a professor with at least full professor status at a Québec university;

“*university
research con-
tract*”

(b) “university research contract” means a contract entered into after 30 April 1987 and before 1 January 1991 between a corporation or partnership carrying on a business in Canada and an eligible university

entity under which the eligible university entity binds itself to make, in Québec, before 1 January 1993, on behalf of the corporation or partnership, expenditures in respect of scientific research and experimental development, directly undertaken by the entity, related to the business or class of business of the corporation or partnership or of the other partnership or the taxpayer contemplated in the fourth paragraph of section 1029.8.7 with whom the partnership is associated, where the latter are entitled to exploit the results thereof;

"controlled corporation" (c) "controlled corporation" means a corporation controlled at any time in a taxation year, directly or indirectly, in any manner whatever by any of the following persons:

- i. one or several persons exempt from tax under Book VIII of this Part;
- ii. Her Majesty in right of Canada or a province;
- iii. a corporation mentioned in section 984;
- iv. a combination of the persons referred to in subparagraphs i to iii;

"tax exempt corporation" (d) "tax exempt corporation" means a corporation exempt from tax under Book VIII of this Part, a corporation contemplated in section 984 or a corporation that, at any time in a taxation year, is a controlled corporation or a corporation related to a controlled corporation;

"specified employee" (e) "specified employee" means an individual who, at any time during the term of a university research contract, is

- i. an employee of the corporation or partnership having entered into the university research contract;
- ii. an employee of a person or partnership related to the corporation or partnership contemplated in subparagraph i;
- iii. an individual who ceased to be an employee contemplated in subparagraph i or ii less than six months previously;

"eligible university entity" (f) "eligible university entity" means a university researcher, a university research team, a Québec university or any other prescribed body;

"university research team" (g) "university research team" means a group of individuals no member of which is a specified employee at any time during the term of a university research contract entered into by the group, and which is composed of

i. university researchers, or

ii. at least one university researcher and employees of a Québec university or of a research centre or laboratory attached to a Québec university;

“scientific research and experimental development”

(h) “scientific research and experimental development” means scientific research and experimental development within the meaning of the regulations under section 222.

“§ 2.—General

Research contract

“1029.8.2 For the purposes of paragraph *b* of section 1029.8.1, where a research contract was entered into before 1 May 1987 with an entity which, after 30 April 1987, is an eligible university entity, where expenditures on scientific research and experimental development were to be made under the research contract and where, subsequently to that research contract, another research contract, which would be a university research contract but for this section, is entered into, that other research contract is deemed, if the Minister so decides, not to be a university research contract if it may reasonably be considered to relate to expenditures on scientific research and experimental development covered by the earlier research contract entered into before 1 May 1987 and if the other research contract is entered into with

(a) the corporation or partnership having entered into the earlier research contract, or

(b) a person or partnership related to the corporation or partnership contemplated in paragraph *a*.

Expenditures

“1029.8.3 For the purposes of this division, expenditures on scientific research and experimental development

(a) do not include expenditures made to acquire rights in, or arising out of, scientific research and experimental development;

(b) include only the following expenditures made before 1 January 1993:

i. expenditures each of which was an expenditure made for and all or substantially all of which was attributable to the prosecution, or to the provision of premises, facilities or equipment for the prosecution of scientific research and experimental development in Québec;

ii. expenditures of a current nature that were directly attributable, as determined by regulation under subparagraph ii of subparagraph *b*

of the first paragraph of section 230, to the prosecution, or to the provision of premises, facilities or equipment for the prosecution, of scientific research and experimental development in Québec.

Expendi-
tures of a
capital
nature

“1029.3.4 For the purposes of this division, expenditures of a capital nature made by an eligible university entity in a taxation year or during a fiscal period of a partnership include only expenditures made to acquire, in the year or during the fiscal period, property other than land intended to be used in Québec within a reasonable time after it is acquired.

Business

“1029.3.5 For the purposes of this division, scientific research and experimental development relating to a business or class of business includes any scientific research and experimental development that may lead to or facilitate an extension of that business or class of business.

“§ 3.—Credit

Corporation

“1029.3.6 A corporation, other than a tax exempt corporation, that carries on a business in Canada and has made a university research contract with an eligible university entity is deemed to have paid to the Minister, for the taxation year during which the scientific research and experimental development relating to its business or class of business were undertaken by the eligible university entity under the university research contract, as partial payment of its tax payable for that year pursuant to this Part, an amount equal to 40% of the total or partial amount it has paid during the year but before 1 January 1993 to the eligible university entity and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, for scientific research and experimental development carried on by the eligible university entity in Québec under the university research contract.

Computation
of payments

Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027, the corporation is deemed to have paid to the Minister as partial payment of its tax payable pursuant to this Part, on the date on or before which each monthly payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment and, on the date on or before which the last payment is required to be paid, the balance of the amount determined under the said first paragraph.

Partnership

“1029.3.7 Where a partnership carries on a business in Canada and has entered into a university research contract with an eligible

university entity, every corporation other than a tax-exempt corporation that is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development relating to the partnership's business or class of business was carried on by the eligible university entity under the university research contract is deemed to have paid to the Minister for the taxation year in which the said fiscal period ends, as partial payment of its tax payable for that year pursuant to this Part, its portion of an amount equal to 40% of the total or partial amount the partnership has paid during the said fiscal period but before 1 January 1993 to the eligible university entity and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature deductible under subsection 1 of section 222 or paragraph *a* of section 223 for scientific research and experimental development carried on by the eligible university entity in Québec under the university research contract.

Limited
partner

Notwithstanding the foregoing, and subject to section 1029.8.8, where a corporation referred to in the first paragraph is, at any time in the taxation year, a limited partner of a partnership within the meaning of section 613.6, the amount determined in the said paragraph that it is deemed to have paid for the taxation year in which the fiscal period of the partnership ends, shall not exceed 40% of the at-risk amount of its partnership interest determined under sections 613.2 to 613.5 at the end of the fiscal period.

Computation
of payment

Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027, for its taxation year in which the fiscal period of the partnership ends, the corporation is deemed to have paid to the Minister, as partial payment of its tax payable pursuant to this Part, the amount determined for the year in its respect under the first paragraph, either on the date on which the fiscal period ends where that date coincides with the date on or before which the corporation is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which it is required to make such a payment.

Amount
paid by
partnership
to eligible
university
entity

For the purposes of this division, where an amount paid by a partnership to an eligible university entity under a university research contract is not contemplated in the first paragraph for the sole reason that the scientific research and experimental development in respect of which the amount is paid is not related to the business or class of business of the partnership, the amount paid by the partnership is deemed to be an amount contemplated in such subparagraph where

(a) the partnership is, throughout the period in which the expenditures for the scientific research and experimental development are made, related to another partnership no partner of which is a tax-exempt individual within the meaning of paragraph *f* of section 358.5 or a tax-exempt corporation or to a taxpayer other than a tax-exempt individual within the meaning of the said paragraph *f* or a tax-exempt corporation that carries on a business in Canada;

(b) the scientific research and experimental development are related to the business or class of business of the other partnership or of the taxpayer contemplated in paragraph *a* of this paragraph;

(c) the other partnership or the taxpayer referred to in paragraph *a* of this paragraph is entitled to exploit the results of the scientific research and experimental development.

“DIVISION II.2

“RESTRICTION IN RESPECT OF THE CREDIT FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT AND THE CREDIT FOR UNIVERSITY RESEARCH

Advance
ruling

“**1029.8.8** A corporation contemplated in the second paragraph of section 1029.8 or 1029.8.7 shall not be deemed to have paid to the Minister its portion of an amount in respect of expenditures of a partnership referred to in any of the said sections unless a favourable advance ruling has been given by the Ministère du Revenu regarding the proposed financing of the expenditures, either before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, as the case may be, relating to the acquisition of an interest in the partnership, or before the date of subscription of the interest in other cases.”

(2) This section has effect from 1 May 1987.

c. I-3,
s. 1037.1,
added

126. (1) The said Act is amended by inserting, after section 1037, the following section:

Calculation-
free return

“**1037.1** Notwithstanding section 1037, in the case of an individual who files, in accordance with section 1000, a calculation-free return referred to in the second paragraph of section 1004, the interest payable under section 1037 shall be computed for the period extending from the date on or before which he must file the return or the date of mailing of the notice of first assessment relating to the return, whichever is later, to the day of payment.”

(2) This section applies in respect of calculation-free returns filed for the taxation year 1986 or for any subsequent taxation year.

c. I-3,
s. 1038.1,
added

127. (1) The said Act is amended by inserting, after section 1038, the following section:

Maximum
interest

“1038.1 Notwithstanding section 1038, the interest payable by a taxpayer under the said section shall not exceed the amount by which the interest that would be payable by the taxpayer under the said section if he had made no payments exceeds the amount obtained by computing interest at the rate fixed under section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) capitalized daily on each payment made by the taxpayer, for the period extending from the day of the payment to the day on or before which the taxpayer is required to pay to the Minister the balance of his estimated income tax or would be so required if he had such a balance.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 1040.1,
added

128. (1) The said Act is amended by inserting, after section 1040, the following section:

Maximum
interest

“1040.1 Notwithstanding the first paragraph of section 1040, the interest payable by a taxpayer under the said paragraph shall not exceed the amount by which the interest that would be payable by the taxpayer under the said paragraph if he had made no payments exceeds the amount obtained by computing interest at the rate of 5% capitalized daily on each payment made by the taxpayer, for the period extending from the day of the payment to the day on or before which the taxpayer is required to pay to the Minister the balance of his estimated income tax or would be so required if he had such a balance.”

(2) This section applies from the taxation year 1987.

c. I-3,
s. 1044, am.

129. (1) Section 1044 of the said Act, amended by section 187 of chapter 67 of the statutes of 1987, is again amended by replacing the first paragraph by the following paragraph:

Amount
excluded in
respect of
option

“1044. Where, for a particular taxation year, a taxpayer is entitled to exclude from his income under sections 294 to 298 an amount in respect of an option exercised in a subsequent taxation year or to deduct an amount relating to a subsequent taxation year and contemplated in paragraphs *b* to *f* of section 1012.1, his tax payable under this Part for the particular taxation year is deemed, for purposes of computing interest payable under sections 1037 to 1040, to be equal to that which the taxpayer would pay if he were not entitled to exclude from his income or deduct any of those amounts.”

(2) This section applies to taxation years commencing after 31 December 1983.

c. 1-3,
s. 1049.1,
replaced

130. (1) Section 1049.1 of the said Act, replaced by section 75 of chapter 21 of the statutes of 1987, is again replaced by the following sections:

False
statement

“1049.1 A corporation that, in its final prospectus or an application for exemption from filing a prospectus, states falsely that the issued stocks or shares may be included in a stock savings plan described in section 965.2 is liable to a penalty equal to 25 % of the adjusted cost that would be determined under section 965.6 if the statement of the corporation were true, of each share or stock of the issue distributed in Québec to an individual other than a trust, to an investment group or to an investment fund.

Incorrect
statement of
adjusted
cost

A corporation that, in its final prospectus or an application for exemption from filing a prospectus, states in respect of stocks or shares that may be included in a stock savings plan described in section 965.2 an adjusted cost other than that determined under section 965.6 is liable to a penalty equal to 25 % of the amount by which the adjusted cost so stated in respect of each stock or share of the public issue distributed in Québec to an individual other than a trust, to an investment group or to an investment fund exceeds the adjusted cost determined under section 965.6 in respect of each such stock or share.

Public issue
of shares

“1049.1.1 Where a corporation makes a public issue of shares with the stipulation that they can be included in a stock savings plan and where the shares are not listed on the Montréal Stock Exchange within 60 days of the date of the receipt for the final prospectus or the exemption from filing a prospectus in respect of their issue, the corporation is liable to a penalty equal to 25 % of the adjusted cost, determined under section 965.6, of each share or stock of the issue distributed in Québec to an individual other than a trust, to an investment group or to an investment fund.”

(2) This section, where it replaces section 1049.1 of the Taxation Act, applies from 1 January 1988.

(3) This section, where it enacts section 1049.1.1 of the Taxation Act, applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 10 December 1986 except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu before 10 January 1987 and such approval was obtained. However, where section 1049.1.1 of the said Act, enacted by this section, refers to an investment fund, this section applies from 1 January 1988.

c. I-3,
s. 1049.2,
replaced

131. (1) Section 1049.2 of the said Act, replaced by section 76 of chapter 21 of the statutes of 1987, is again replaced by the following section:

Penalty

“1049.2 Every corporation described in section 965.11.1 that contravenes section 965.11.2 is liable to a penalty equal to 25% of the adjusted cost, determined under section 965.6, of each share of the issue distributed in Québec to an individual other than a trust, to an investment group or to an investment fund.”

(2) This section applies from 1 January 1988.

c. I-3,
ss. 1049.2.1
and
1049.2.2,
replaced

132. (1) Sections 1049.2.1 and 1049.2.2 of the said Act, enacted by section 76 of chapter 21 of the statutes of 1987, are replaced by the following sections:

Redemption
of share

“1049.2.1 Where, at a particular time in the period from 7 May 1986 to 16 December 1986, a corporation purchases or redeems in any manner whatever, directly or indirectly, a share of any class of its capital stock other than a fractional share, issued with the stipulation that it could be included in a stock savings plan or belonging to a class of shares of its capital stock some of which were issued with such a stipulation, it is liable to a penalty equal to 25% of the average adjusted cost of each purchased or redeemed share or to 25% of the amount by which the average adjusted cost of the aggregate of the shares of the same class that were issued with such a stipulation and that have been issued as part of a public share issue in respect of which the date of the receipt for the final prospectus or of the exemption from filing a prospectus is in the year including the particular time or in the preceding two years, exceeds the average adjusted cost of the aggregate of such shares in respect of which a penalty was incurred under this section before that time, whichever is the lesser.

Restriction

The first paragraph does not apply to a share purchased or redeemed by virtue of an obligation stated in the articles of a corporation before 7 May 1986 or to meet the requirements of an Act or the regulations governing a sector of activities.

Adjusted
cost

For the purposes of the first paragraph, the average adjusted cost of a share of the capital stock of a corporation is equal to the adjusted cost, determined under section 965.6, of the aggregate of the shares of the capital stock of the corporation issued with the stipulation that they could be included in a stock savings plan, divided by the number of such shares.

Transac-
tions or
operations

“1049.2.2 Where a corporation shares of whose capital stock were, at a particular time in the period from 7 May 1986 to 16 December 1986, the subject of a transaction or operation or series of transactions or operations and, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of its capital stock which, in the year including the particular time or in the preceding two years, was issued with the stipulation in the final prospectus or in the application for an exemption from filing a prospectus, that it could be included in a stock savings plan, it is liable to a penalty equal to 25% of the amount determined under section 965.11.9.

Restriction

The first paragraph does not apply to any transaction or operation or series of transactions or operations in respect of a share to the extent that such a transaction or operation or series of transactions or operations is carried out by virtue of an obligation stated in the articles of a corporation before 7 May 1986 or to meet the requirements of an Act or the regulations governing a sector of activities.

Issue of
share

“1049.2.2.1 Where a corporation issues, at a particular time, a share of its capital stock with the stipulation that it can be included in a stock savings plan or issues a share in replacement of a share issued at a particular time with such a stipulation or issued in replacement of a share issued in substitution for such a share and, after 16 December 1986, purchases or redeems in any manner whatever, directly or indirectly, in the year including the particular time but after that time or in the two years following that year, a share of a class of its capital stock other than a share described in section 965.11.12, it is liable to a penalty equal to 25% of the amount obtained by multiplying the amount of the purchase or redemption by the amount determined under the second paragraph in respect of the purchase or redemption.

Purchase or
redemption

The percentage in respect of a purchase or redemption is the proportion, expressed in hundredths, that the adjusted cost of the aggregate of the shares of the capital stock of the corporation issued, in the year of the purchase or redemption but before the purchase or redemption or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan, and distributed in Québec and of the shares of the capital stock of the corporation issued in replacement of shares issued with such a stipulation, that were issued in the year of the purchase or redemption and before the time of such purchase or redemption or within the two years preceding that year and distributed in Québec or in replacement of shares issued in substitution for such shares, is of the paid-up capital at the time of the issue in respect of the aggregate of such shares of the corporation.

Transac-
tions or
operations

“1049.2.2.2 Where shares of the capital stock of a corporation were, at a particular time after 16 December 1986, the subject of a transaction or operation or a series of transactions or operations and where, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of its capital stock other than a share described in section 965.11.14, the corporation is liable to a penalty equal to 25% of the amount obtained by multiplying the amount determined under section 965.11.15 in respect of the transaction or operation or series of transactions or operations by the percentage determined under the second paragraph in respect of the transaction or operation or series of transactions or operations if it issued, in the year including the particular time but before that time or in the two years preceding that year, a share of its capital stock with the stipulation that it could be included in a stock savings plan or issued a share of its capital stock as a replacement for a share issued with such a stipulation in the year including the particular time but before that time or in the two years preceding that year or for a share issued in substitution for such a share.

Transac-
tions or
operations

The percentage in respect of a transaction or operation or series of transactions or operations is the proportion, expressed in hundredths, that the adjusted cost of the aggregate of the shares of the capital stock of the corporation which were issued, in the year of the transaction or operation or series of transactions or operations and before the occurrence thereof or within the two years preceding that year, with the stipulation that they could be included in a stock savings plan, and that were distributed in Québec, and shares of the capital stock of the corporation issued in replacement of, shares issued with such a stipulation, that were issued in the year of the transaction or operation or series of transactions or operations but before the occurrence thereof or within the two years preceding that year and which were distributed in Québec, is of the paid-up capital at the time of the issue in respect of the aggregate of such shares of the corporation.

Replace-
ment of
shares

“1049.2.2.3 Where particular shares of the capital stock of a corporation, issued with the stipulation that they could be included in a stock savings plan or issued as a replacement for shares issued with such a stipulation or for shares issued in substitution for such shares, are, after 16 December 1986 and in the year the shares issued with such a stipulation were issued or in the two years following that year, the subject of a replacement, without any consideration other than a share, following a transaction described in section 536, 541 or 544, the corporation is liable to a penalty equal to 25% of the amount, if any, by which the aggregate of the average adjusted cost of each such

particular share distributed in Québec to an individual other than a trust, to an investment group or to an investment fund exceeds the aggregate of the adjusted cost of each share issued as a replacement for such particular shares, which would have been determined under section 965.6, taking section 965.9.1 into account, if the share issued as a replacement had been issued at the same time as the replaced share.

Restriction The first paragraph does not apply to a share that is the subject of a transaction carried out by virtue of an obligation stated in the articles of a corporation before 7 May 1986.

Adjusted cost “**1049.2.2.4** For the purposes of the first paragraph of section 1049.2.2.3, the average adjusted cost of a share of the capital stock of a corporation is equal to the adjusted cost, determined under section 965.6, of the aggregate of the shares of the capital stock of the corporation issued with the stipulation that they could be included in a stock savings plan, divided by the number of such shares.

Issue of share “**1049.2.2.5** A corporation which issues a share of its capital stock with the stipulation that it can be included in a stock savings plan or issues a share of its capital stock as a replacement for a share issued with such a stipulation or for a share issued in substitution for such a share and the net shareholder’s equity of which is affected, after 16 December 1986, in any manner whatever, directly or indirectly, in the year the share issued with such a stipulation was issued but after that issue or in the two years following that year, following a transaction or operation or series of transactions or operations other than those referred to in section 965.11.19, it is liable to a penalty equal to 25 % of the amount determined under the second paragraph of section 965.11.17 if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.11.18.

Stay of imposition of penalty “**1049.2.2.6** The Minister may, if he so decides, stay the imposition of a penalty under section 1049.2.1, 1049.2.2, 1049.2.2.1, 1049.2.2.2 or 1049.2.2.5 in respect of a corporation that plans to carry out or has already carried out a transaction contemplated in any of the said sections, if the corporation has applied to him to that effect and undertakes to comply with the conditions prescribed in section 1049.2.2.7.

Revocation of stay The Minister may at any time revoke the stay provided for in the first paragraph if he is of opinion that the undertaking of the corporation is compromised.

Conditions	<p>“1049.2.2.7 The conditions that must be complied with by a corporation contemplated in section 1049.2.2.6 are that it must issue shares of its capital stock that meet the requirement of paragraph <i>c</i> of section 965.7 and are not qualifying shares, or that shares of its capital stock must be, not later than 730 days after the beginning of the transaction referred to in section 1049.2.2.6, the subject of a transaction or operation or a series of transactions or operations which, in the opinion of the Minister, can reasonably be believed to be equivalent to the issue of shares of the capital stock of the corporation that meet the requirement of paragraph <i>c</i> of section 965.7, for an amount equal to or greater than the amount determined under section 1049.2.1, 1049.2.2, 1049.2.2.1, 1049.2.2.2 or 1049.2.2.5, as the case may be.</p>
Stay of imposition of penalty	<p>“1049.2.2.8 Notwithstanding sections 1049.2.1, 1049.2.2, 1049.2.2.1, 1049.2.2.2 and 1049.2.2.5, where the Minister, pursuant to section 1049.2.2.6, stays the imposition of a penalty on a corporation for a particular transaction and the corporation fulfils, to the satisfaction of the Minister, its undertaking under section 1049.2.2.6, the corporation shall incur no penalty for the transaction.</p>
Amount of penalty	<p>“1049.2.2.9 Notwithstanding sections 1049.2.1 to 1049.2.2.5, where the amount of a particular penalty under any of the said sections is greater than the excess amount determined under the second paragraph, the amount of the particular penalty shall be reduced to that excess amount.</p>
Excess amount	<p>The excess amount contemplated in the first paragraph in respect of a particular penalty is the amount by which</p> <p>(a) 25% of the adjusted cost of the aggregate of the shares of the capital stock of the corporation which were issued with the stipulation that they could be included in a stock savings plan or issued as a replacement for shares issued with such a stipulation or for shares issued in substitution for such shares, and which were distributed in Québec to an individual other than a trust, to an investment group or to an investment fund, exceeds</p> <p>(b) the aggregate of the penalties incurred by the corporation under sections 1049.2.1 to 1049.2.2.5 before the imposition of the particular penalty.</p>
Transaction for business purposes	<p>“1049.2.2.10 Notwithstanding sections 1049.2.1 to 1049.2.2.5, a corporation may carry out a transaction contemplated in any of the said sections without incurring the penalty provided for in respect of such a transaction if, in the opinion of the Minister, the transaction results from a transaction described in section 536, 541 or 544 and is carried out primarily for business purposes.”</p>

(2) This section has effect from 7 May 1986 where it replaces sections 1049.2.1 and 1049.2.2 of the Taxation Act and has effect from 17 December 1986 where it enacts sections 1049.2.2.1 to 1049.2.2.10 of the said Act. However, so far as it makes a reference to investment funds in sections 1049.2.2.3 and 1049.2.2.9, it applies from 1 January 1988.

c. I-3,
s. 1049.2.4,
replaced

133. (1) Section 1049.2.4 of the said Act, enacted by section 76 of chapter 21 of the statutes of 1987, is replaced by the following sections:

Penalty

“1049.2.4 Where a corporation described in section 965.11.6 contravenes section 965.11.7, it is liable to a penalty equal to 25 % of the adjusted cost, determined under section 965.6, of each share of the issue distributed in Québec to an individual other than a trust, to an investment group or to an investment fund.

False
statement

“1049.2.5 Where an investment fund states falsely in its final prospectus that the issued securities can be included in a stock savings plan described in the third paragraph of section 965.2, the fund administrator or trustee is liable to a penalty equal to 25 % of the adjusted cost that would be determined under section 965.6.0.3 if the statement of the investment fund were true, of each security of the issue distributed in Québec to an individual other than a trust.

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 of the year and acquired by it during the year with the proceeds from the issue of such qualifying securities, other than qualifying shares having already served in respect of the year for the purposes of the said paragraph *b*.

Investment
fund

“1049.2.7 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 *c* 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 and in the preceding two years that are valid qualifying securities exceeds the adjusted cost of the qualifying shares owned by the investment fund on 31 December of the year.”

(2) This section applies from 1 January 1988.

c. I-3,
s. 1049.6,
am.

134. Section 1049.6 of the said Act, amended by section 77 of chapter 21 of the statutes of 1987, is again amended

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

Unlawful
use of funds
from quali-
fied invest-
ment

“1049.6 Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), is liable to a penalty equal to 30% of the amount of a qualified investment made by a Québec business investment company in the qualified corporation, where the qualified corporation uses, during the 24 months following the date of that qualified investment, the funds from such qualified investment to”;

(2) by replacing paragraph *d* of the French text by the following paragraph:

“*d*) effectuer des investissements à l’extérieur du Québec lorsque ces derniers ne sont pas directement reliés à ses opérations;”.

c. I-3,
s. 1049.11,
replaced

135. Section 1049.11 of the said Act is replaced by the following section:

Arm’s
length deal-
ings

“1049.11 Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), that does not deal at arm’s length, within the meaning assigned to that expression for the purposes of section 12 of the said Act, with a Québec business investment company during the 24 months following the date of a qualified investment made by the company in the qualified corporation without having obtained the prior authorization of the Société de développement industriel du Québec is liable to a penalty equal to 30% of the total amount of the investment.”

c. I-3,
s. 1049.11.3,
added

136. (1) The said Act is amended by inserting, after section 1049.11.2, the following section:

Rehiring of
eligible
employee

“1049.11.3 Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that rehires, during the 24 months following the date of acquisition of a share in the circumstances described in section 15.10 of the said Act, the individual who is the eligible employee from whom it acquired the share, is liable to a penalty equal to 25% of the amount obtained by multiplying the cost, to the individual, of the share at the time of its issue, determined without taking account of the borrowing costs, the other costs related to its acquisition or the custody fees, by 125%.”

(2) This section has effect from 11 December 1986.

c. 1-3,
ss. 1049.15
1049.19,
added **137.** (1) The said Act is amended by inserting, after section 1049.14, the following sections:

Purchase of
class "A"
share **"1049.15** Where 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) purchases a class "A" share by agreement, under section 8 of the said Act, it is liable to a penalty equal to 20% of the amount paid for the share by the first purchaser.

Redemption
of class
"A" share **"1049.16** Where the corporation governed by the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) redeems a class "A" share in accordance with subparagraph 1 or 2 of the first paragraph of section 10 of the said Act and the share was issued in the 730 days preceding the redemption, it is liable to a penalty equal to 20% of the amount paid for the share by the first purchaser.

Computation
of income of
loss of
member of
partnership **"1049.17** Where for the purposes of computing the income or loss of a member of the partnership for a taxation year, a partnership has deducted, in respect of an expenditure, in computing its income for the year, an amount as expenditure in respect of scientific research and experimental development within the meaning of the regulations under section 222 and where the whole or part of the amount deducted in respect of the expenditure was not deductible under section 222 or 223, any person who was a member of the partnership on the date the Ministère du Revenu issued a favourable advance ruling contemplated in section 358.12 or 1029.8.8 in respect of the proposed financing for the expenditure and who was not, on that date, a limited partner of the partnership, within the meaning of section 613.6, is liable to a penalty equal to 30% of the whole or the part, as the case may be, of the amount deducted which was not deductible under section 222 or 223 other than an amount deducted by it in respect of an expenditure contemplated in section 1049.18.

Partnership Notwithstanding the foregoing, where the partnership contemplated in the first paragraph was a partnership in respect of which the third paragraph of section 358.2 or the fifth paragraph of section 1029.8 applied, the other partnership or the taxpayer, contemplated in either said paragraph, to which or whom the partnership was related or, as the case may be, any person who was a member of the other partnership on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph and who was not, on that date, a limited partner of the other partnership, within the meaning of section 613.6, is liable to the penalty contemplated in the first paragraph.

Corporation Where the person contemplated in the first or second paragraph or the taxpayer contemplated in the second paragraph was a corporation, the directors of the corporation in office on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph are liable, jointly and severally with the corporation, to the penalty contemplated in the first or second paragraph, as the case may be.

“person” For the purposes of this section, “person” also means a partnership.

Computation of income or loss of member of partnership **“1049.18** Where for the purposes of computing the income or loss of a member of the partnership for a taxation year, a partnership has deducted, in respect of an expenditure made within the framework of a university research contract within the meaning of paragraph *b* of section 358.5 or 1029.8.1, in computing its income for the year, an amount as expenditure in respect of scientific research and experimental development within the meaning of the regulations under section 222 and where the whole or part of the amount deducted in respect of the expenditure was not deductible under section 222 or 223, any person who was a member of the partnership on the date the Ministère du Revenu issued a favourable advance ruling contemplated in section 358.12 or 1029.8.8 in respect of the proposed financing for the expenditure and who was not, on that date, a limited partner of the partnership, within the meaning of section 613.6, is liable to a penalty equal to 40 % of the whole or the part, as the case may be, of the amount deducted which was not deductible under section 222 or 223.

Partnership Notwithstanding the foregoing, where the partnership contemplated in the first paragraph was a partnership in respect of which the third paragraph of section 358.11 or the fourth paragraph of section 1029.8.7 applied, the other partnership or the taxpayer, contemplated in either said paragraph, to which or whom the partnership was related or, as the case may be, any person who was a member of the other partnership on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph and who was not, on that date, a limited partner of the other partnership, within the meaning of section 613.6, is liable to the penalty contemplated in the first paragraph.

Corporation Where the person contemplated in the first or second paragraph or the taxpayer contemplated in the second paragraph was a corporation, the directors of the corporation in office on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph are liable, jointly and severally with the corporation, to the penalty contemplated in the first or second paragraph, as the case may be.

“person”

For the purposes of this section, the word “person” includes a partnership.

Computation
of expendi-
ture

“**1049.19** Where a penalty is incurred under section 1049.17 or 1049.18 in respect of the whole or part of an expenditure made by a partnership in a taxation year, each member of the partnership shall compute the following as though the whole or part of the expenditure, as the case may be, were an expenditure deductible under section 222 or 223:

(a) his income or loss, for the year, from the partnership;

(b) the deduction he is entitled to for the year or any subsequent year under section 358.2 or 358.11;

(c) the amount he is deemed to have paid for the year under section 1029.8 or 1029.8.7.”

(2) This section, where it enacts section 1049.15 of the Taxation Act, applies from 2 March 1988.

(3) This section, where it enacts section 1049.16 of the Taxation Act, applies in respect of shares issued after 1 March 1988.

(4) This section, where it enacts sections 1049.17 to 1049.19 of the Taxation Act, has effect from 10 July 1987.

c. 1-3,
s. 1050,
replaced

138. Section 1050 of the said Act is 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 1049.18 is on the Minister.”

c. 1-3,
s. 1053, am.

139. (1) Section 1053 of the said Act, amended by section 188 of chapter 67 of the statutes of 1987, is again amended by replacing what precedes paragraph *a* by the following:

Date of
payment

“**1053.** For the purposes of section 1052, the part of an overpayment of the tax payable by a taxpayer for a taxation year, resulting from the exclusion from his income under sections 294 to 298 of an amount in respect of an option exercised within a subsequent taxation year or from the deduction of an amount relating to a subsequent taxation year and contemplated in paragraphs *b* to *f* of section 1012.1, is deemed to have been paid to the Minister on the latest of the following dates:”.

(2) This section applies to taxation years commencing after 31 December 1983.

c. I-3,
s. 1089, am. **140.** (1) Section 1089 of the said Act, amended by section 82 of chapter 21 of the statutes of 1987, is again amended

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

“(a) the amount by which the income from an office or employment that is reasonably attributable to the duties performed by him in Québec exceeds the amount which, if he is a foreign researcher contemplated in paragraph *a* of section 737.19, would be deductible in computing his taxable income for the year under section 737.21 if his taxable income were determined under Part I;”;

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

“(g) the amount by which the income determined under paragraphs *b* and *c* of section 1092 in respect of an individual exceeds the amount which, if he is a foreign researcher contemplated in paragraph *a* of section 737.19, would be deductible in computing his taxable income for the year under section 737.21 if his taxable income were determined under Part I;”.

(2) This section applies from the taxation year 1987.

c. I-3,
s. 1090, am. **141.** (1) Section 1090 of the said Act, amended by section 83 of chapter 21 of the statutes of 1987, is again amended

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

“(a) the amount by which the income from an office or employment that is reasonably attributable to the duties performed by him in Canada exceeds the amount which, if he is a foreign researcher contemplated in paragraph *a* of section 737.19, would be deductible in computing his taxable income for the year under section 737.21 if his taxable income were determined under Part I;”;

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

“(g) the amount by which the income which would be determined under paragraphs *b* and *c* of section 1092 in respect of the individual if the word “Québec”, in sections 1092 and 1093, were replaced

wherever found by the word "Canada", exceeds the amount which, if he is a foreign researcher contemplated in paragraph *a* of section 737.19, would be deductible in computing his taxable income for the year under section 737.21 if his taxable income were determined under Part I;"

(2) This section applies from the taxation year 1987.

c. I-3,
s. 1091, am.

142. (1) Section 1091 of the said Act, amended by section 84 of chapter 21 and section 197 of chapter 67 of the statutes of 1987, is again amended by replacing paragraph *c* by the following paragraph:

"(c) where all or substantially all of the individual's income for the year, as determined under section 28, is included in the computation of his taxable income earned in Canada for the year, such of the other deductions from income, except the deductions described in sections 737.16 and 737.21, permitted for the purpose of computing his taxable income as may reasonably be considered wholly applicable."

(2) This section applies from the taxation year 1987.

c. I-3,
s. 1106, am.

143. (1) Section 1106 of the said Act is amended by replacing paragraph *b* of subsection 1 by the following paragraph:

"(b) notwithstanding any other provision of this Act, any amount received in a taxation year by a taxpayer as such a dividend must not be included in computing his income for the year as income from a share of the capital stock of the corporation, but shall be deemed to be a capital gain of the taxpayer for the year from the disposition by him in the year of a capital property."

(2) This section applies from the taxation year 1985.

c. I-3,
s. 1183,
replaced

144. (1) Section 1183 of the said Act is replaced by the following section:

Deduction
of 1/3 of
tax paid

"1183. Every taxpayer may deduct from the tax payable by him under Part I for a taxation year, computed without taking account of sections 752.1 to 752.11, one-third of the tax paid or, but for paragraph *a* of section 1184, payable by him for the same taxation year under this Part."

(2) This section applies from the taxation year 1987.

c. I-3,
s. 1184, am.

145. (1) Section 1184 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) in any other case, the excess must be applied in reduction, in addition to the amount provided for in section 1183, of the tax otherwise payable under Part I for the year or for a subsequent taxation year, computed without taking account of sections 752.1 to 752.11.”

(2) This section applies from the taxation year 1987.

c. L-3, s. 46,
am.

146. (1) Section 46 of the Licenses Act (R.S.Q., chapter L-3) is amended by replacing the first paragraph by the following paragraph:

Duty on bet

“**46.** Every winner of a bet made under a *pari mutuel* system, at a horse race held at a race track, shall pay to the Minister of Revenue his proportional share of the following duty based on the value of the total stake before any deduction prescribed or permitted by any other Act:

(a) where the bet includes the choice of a single winning horse,

i. 4%, if the overall average of stakes for each race card at the race track during the calendar year preceding the date on which the race is held, hereinafter called “overall average of stakes”, is less than \$125 000;

ii. 5%, if the overall average of stakes is at least \$125 000 but less than \$250 000;

iii. 7%, if the overall average of stakes is \$250 000 or more;

(b) where the bet includes the choice of two winning horses,

i. 9%, if the overall average of stakes is less than \$125 000;

ii. 10%, if the overall average of stakes is at least \$125 000 but less than \$250 000;

iii. 12%, if the overall average of stakes is \$250 000 or more;

(c) where the bet includes the choice of more than two winning horses,

i. 12%, if the overall average of stakes is less than \$125 000;

ii. 12.5%, if the overall average of stakes is at least \$125 000 but less than \$250 000;

iii. 14.5%, if the overall average of stakes is \$250 000 or more.”

(2) This section has effect from 1 May 1987.

c. L-3,
ss. 46.1 and
46.2, added **147.** (1) The said Act is amended by inserting, after section 46,
the following sections:

Duty on bet **“46.1** Notwithstanding section 46, where a bet is made between
1 May 1987 and 30 June 1987, the rates provided in the said section
are replaced by the following:

(a) 8.6%, if the overall average of stakes is less than \$125 000;

(b) 9.5%, if the overall average of stakes is at least \$125 000 but
less than \$250 000;

(c) 10.5%, if the overall average of stakes is \$250 000 or more.

Duty on bet **“46.2** The rate of the duty provided for in section 46 shall vary
by two-thirds of a percentage point for each variation of one percentage
point in the race track commission rate, as determined under the Race
Track Supervision Regulations under section 188 of the Criminal Code.

Increase in
rate No variation under the first paragraph shall result in increasing
the rate of the duty beyond the rate provided in section 46 or in reducing
it to more than two percentage points below the rate provided in the
said section.”

(2) This section has effect from 1 May 1987.

c. L-3,
s. 79.10,
am. **148.** (1) Section 79.10 of the said Act is amended

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

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

“ii. a person holding a brewer’s permit or a cider maker’s permit
issued under the Act respecting the Société des alcools du Québec
(R.S.Q., chapter S-13);”;

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

“cider” **“(c)** “cider” means apéritif cider, strong cider and light cider, but
does not include flavoured cider, within the meaning of the Regulation
respecting cider (R.R.Q., 1981, chapter S-13, r. 1), as amended.”

(2) This section has effect from 1 May 1987.

c. L-3,
s. 79.11,
am.

149. (1) Section 79.11 of the said Act is amended

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

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

“(b) as regards any beer he acquires, 9% of the average retail sales price per litre in force at that time as determined in conformity with the Retail Sales Tax Act (R.S.Q., chapter I-1);

“(c) as regards any beer he makes and sells for consumption in his establishment, 9% of the average retail sales price per litre in force at the time of the sale, determined in conformity with the Retail Sales Tax Act;

“(d) as regards any alcoholic beverage he acquires, except cider or beer, 9% of the sales price in force at that time at the supplier’s;

“(e) as regards any alcoholic beverage he makes and sells for consumption in his establishment, except cider or beer, 9% of the average retail sales price determined by regulation, in force at the time of the sale.”;

(3) by adding the following paragraph:

Increase

“Notwithstanding the first paragraph, the rate provided in subparagraphs *b* to *e* of that paragraph is increased to 13.4% for any alcoholic beverage acquired or made to be served under a tavern permit issued under the Act respecting liquor permits (R.S.Q., chapter P-9.1).”

(2) This section has effect from 1 May 1987.

c. L-3,
s. 79.11.1,
added

150. (1) The said Act is amended by inserting, after section 79.11, the following section:

Restriction

“79.11.1 The duties provided for in subparagraphs *b* and *d* of the first paragraph of section 79.11 are not applicable to alcoholic beverages acquired to be blended with alcoholic beverages made by a retailer who is the holder of a small-scale production permit issued under the Act respecting the Société des alcools du Québec.”

(2) This section has effect from 1 May 1987.

c. L-3,
s. 79.14,
replaced

151. (1) Section 79.14 of the said Act is replaced by the following section:

Duties **“79.14** The duty of \$10 provided for in subparagraph *a* of the first paragraph of section 79.11 must be paid to the Minister of Revenue upon the application for a licence.

Payment The duties provided for in subparagraphs *b* and *d* of the first paragraph of the said section must be paid by the retailer to the supplier, directly or through the authorized agent of the latter, each time the retailer buys alcoholic beverages.

Payment The duties provided for in subparagraphs *c* and *e* of the first paragraph of the said section must be paid monthly to the Minister, not later than the fifteenth day of the month immediately following the month of the sale of the alcoholic beverage for consumption on the premises and the retailer must submit a report even if no duty is payable for that month.”

(2) This section has effect from 1 May 1987.

c. L-3,
s. 79.15,
am. **152.** (1) Section 79.15 of the said Act is amended by replacing the first paragraph by the following paragraph:

Collection **“79.15** A supplier who sells an alcoholic beverage shall at the same time collect the duties provided for in subparagraphs *b* and *d* of the first paragraph of section 79.11 unless it is a beverage contemplated in section 79.11.1.”

(2) This section has effect from 1 May 1987.

c. M-31,
ss. 12.1 and
12.2, added **153.** (1) The Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by inserting, after section 12, the following sections:

Fees **“12.1** Notwithstanding article 2148 of the Civil Code, a fee of \$90 shall be charged for any total or partial discharge of a debt secured by a legal hypothec.

Refusal The Minister may refuse to grant a discharge if the fee provided for in the first paragraph is not paid to him.

Government
regulation The Government may, by regulation, change the amount of the fee applicable to any such discharge.

Negotiable
instrument **“12.2** Every person who remits to the Minister a negotiable instrument which is subsequently refused on account of insufficient funds by the financial institution upon which it is drawn shall pay a fee of \$15.

Fees The fee shall be added to the debt of the taxpayer. It is exigible from the date of the refusal by the financial institution and bears interest from that date at the rate fixed under section 28.

Cancellation The Minister shall cancel the fee provided for in the first paragraph if, within 90 days after a notice of the refusal by the financial institution is sent to the taxpayer, it is proved that the instrument should not have been refused on account of insufficient funds.

Government regulation The Government may, by regulation, change the amount of the fee applicable to such negotiable instruments."

(2) This section applies from 1 January 1988.

c. M-31, s. 27.1, added **154.** (1) The said Act is amended by inserting, after section 27, the following section:

Date of receipt **"27.1** Every amount or negotiable instrument remitted to the Minister as a payment under a fiscal law or a regulation under a fiscal law is deemed, in the absence of any evidence to the contrary, to be received by the Minister on the date stamped on the form relating to the payment by a public servant of the Ministère du Revenu."

(2) This section applies from 1 January 1988.

c. M-31, s. 69, am. **155.** (1) Section 69 of the said Act is amended

(1) by replacing the first and second paragraphs by the following paragraphs:

Privileged information **"69.** All information obtained in the application of a fiscal law is confidential. No public servant shall use such information for any purpose not provided for by law, communicate such information or allow it to be communicated to a person not legally entitled thereto or allow such a person to examine a document containing such information or have access to it.

Communication of information However, such information may, upon the written application of the person who provided the information or of his authorized representative, be communicated to a person designated in the application. In addition, information obtained from the author of a transfer of property, in respect of the cost, capital cost or adjusted cost base of that property to the taxpayer who acquired it through the said transfer may be communicated to the taxpayer where, under the Taxation Act (R.S.Q., chapter I-3) or the Act respecting the application of the Taxation Act (R.S.Q., chapter I-4), such cost, capital cost or adjusted cost base is an amount other than the consideration he paid for the property.";

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

"public servant"

"For the purposes of this section, the words "public servant" mean the Minister, any public servant or former public servant of the Ministère du Revenu, any person acting or having acted for or on behalf of the Minister or the Deputy Minister in order to assist them in the carrying out of the objects of a fiscal law or in any other task which may be incumbent on them in the performance of their functions, as well as any person, association, partnership, body or department contemplated in the second paragraph of section 9 or in section 69.1 or 70."

(2) This section, where it enacts the second paragraph of section 69 of the Act respecting the Ministère du Revenu, has effect from 26 February 1986.

c. R-5, s. 34,
am.

156. (1) Section 34 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5), amended by section 98 of chapter 21 of the statutes of 1987, is again amended by replacing the first paragraph by the following paragraph:

Contribution
of
employers

"**34.** On the dates, for the periods and according to the terms and conditions prescribed in section 1015 of the Taxation Act (R.S.Q., chapter I-3), every employer shall pay to the Minister of Revenue a contribution equal to 3% of the wages that he pays and that he is deemed to pay under the second paragraph of section 979.3 and section 1015.2 of the Taxation Act to his employee who reports for work at his establishment in Québec or to whom those wages, if the employee is not required to report for work at an establishment of his employer, are paid or deemed paid from such an establishment in Québec."

(2) This section applies from 1 January 1988.

c. R-5,
s. 34.2,
added

157. The said Act is amended by inserting, after section 34.1, the following section:

Interest

"**34.2** Where an amount is refunded or applied to another liability, interest shall be paid on such amount, at the rate fixed under section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) and for the period determined in section 30 of the said Act."

c. R-9, s. 45,
am.

158. (1) Section 45 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

"(c) after a retirement pension has become payable to him under this Act or under a similar plan, or".

(2) This section has effect from 1 January 1987.

c. R-9,
s. 51.1,
repealed

159. (1) Section 51.1 of the said Act is repealed.

(2) This section has effect from 1 January 1987.

c. R-9, s. 63,
replaced

160. (1) Section 63 of the said Act is replaced by the following section:

Payment to
Minister

“63. On the dates, for the periods and according to the terms and conditions prescribed in section 1015 of the Taxation Act (R.S.Q., chapter I-3), every employer shall pay to the Minister an amount equal to what he was bound to deduct together with the prescribed amount required to be paid by him with respect to each employee.”

(2) This section applies from 1 January 1988.

c. R-9, s. 80,
replaced

161. Section 80 of the said Act is replaced by the following section:

Interest

“80. Where an amount is refunded or applied to another liability, interest shall be paid on such amount, at the rate fixed under section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) and for the period determined in section 30 of the said Act.”

c. R-20.1,
s. 1, am.

162. (1) Section 1 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1) is amended by replacing subparagraph *a* by the following subparagraph:

“spouse”

“(a) “spouse” of a particular person during a year means the person who, during the year, lives with and is married to the particular person, or has been cohabiting with the particular person for at least one year;”.

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 1.1,
added

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

“DIVISION I.1

“GENERAL

Spouses

“1.1 For the purposes of this Act, where a particular person has more than one spouse during a year, the following rules apply:

(a) the particular person is deemed to have only one spouse during the year;

(b) the person who is the spouse of the particular person on the last day of the year or, if the person has no spouse at that time, the last person to have been the spouse of the person during the year is deemed to be the spouse of the particular person during the year;

(c) the particular person is deemed not to be the spouse during the year of any person other than the person referred to in paragraph *b*.”

(2) This section applies in respect of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
ss. 2 and 3,
replaced **164.** (1) Sections 2 and 3 of the said Act are replaced by the following sections:

Real estate
tax refund

“**2.** A person who is resident in Québec on 31 December in a year is entitled to a real estate tax refund for the year in respect of the dwelling in which he lives on 31 December of that year and of which he himself or one of the following persons with whom he lives on that date is the owner, lessee or sub-lessee:

(a) his spouse during the year;

(b) a person in respect of whom he deducts for the year, in accordance with sections 695 to 701 of the Taxation Act (R.S.Q., chapter I-3), an amount prescribed in paragraph *d* of section 695 or in section 695.1 of the said Act.

Exception

“**3.** The person contemplated in section 2 is not entitled to a real estate tax refund for a year if he himself or his spouse during the year, where such is the case, is exempt from tax for that year under section 982 or 983 of the Taxation Act or paragraphs *a* to *c* of section 96 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 4,
repealed

165. (1) Section 4 of the said Act is repealed.

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 5, French
text, am.

166. (1) The French text of section 5 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**5.** Les personnes mentionnées à l'article 2 ne sont propriétaires, locataires ou sous-locataires du logement qu'elles habitent que si elles en sont des propriétaires inscrits au bureau d'enregistrement ou des locataires ou sous-locataires responsables du paiement du loyer.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
ss. 7 and
7.1,
replaced

167. (1) Sections 7 and 7.1 of the said Act are replaced by the following sections:

Real estate
tax refund

“7. The amount of the real estate tax refund to which the person contemplated in section 2 is entitled for a year, in respect of the dwelling in which he lives on 31 December of the year, is equal to 40% of the amount by which the real estate tax ascribed to the dwelling for the same year exceeds the amount equivalent to essential needs, less 2% of the amount by which his income for that year, as established under section 10, exceeds the amount established under section 10.1.

Essential
needs

“7.1 The amount equivalent to essential needs contemplated in section 7 is equal to the aggregate of \$250 each for the person contemplated in section 2 and his spouse during the year, where such is the case, and \$64 for each dependent person of the person contemplated in section 2.

Increase

The amounts of \$250 and \$64 contemplated in the first paragraph are increased to \$260 and \$66 for the year 1988 and for subsequent years, respectively.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 9,
replaced

168. (1) Section 9 of the said Act, amended by section 99 of chapter 21 of the statutes of 1987, is replaced by the following sections:

Increase

“9. The amount determined under section 7 is increased by \$100 where the person contemplated in that section or that person’s spouse during the year, where such is the case, but not both, is at least 60 years of age on 31 December of the year and receives on that date a supplement or a spouse’s allowance in accordance with the Old Age Security Act (Statutes of Canada).

Increase

If on 31 December of the year each spouse is at least 60 years of age and receives a supplement or a spouse’s allowance in accordance with the Old Age Security Act, the amount determined under section 7 is increased by \$200.

Real estate
tax refund

The amount so increased becomes the amount of the real estate tax refund to which the person contemplated in section 7 is entitled.

Real estate
tax refund

“9.1 Where, for a year, a person and that person’s spouse during the year are each entitled to a real estate tax refund under section 2 in respect of the same dwelling, the following rules apply:

(a) the amount of the real estate tax refund, determined without reference to this section, to which the person is entitled must be reduced by the portion of the amount designated in the prescribed form by the person and the spouse during the year in respect of the person;

(b) the amount of the real estate tax refund, determined without reference to this section, to which the spouse during the year is entitled must be reduced by the amount determined under subparagraph *a* in respect of the person;

(c) where the person and the spouse during the year cannot agree on the portion of the amount which may be designated pursuant to subparagraph *a* in respect of the person, the Minister may designate the portion and, for the purposes of paragraph *a*, the designation is deemed to have been made in prescribed form by the person and the spouse;

(d) the amount determined under paragraph *a* in respect of the person and the amount determined under paragraph *b* in respect of the spouse then become the amount of the real estate tax refund to which the person is entitled and the amount of such refund to which the spouse is entitled, respectively.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 10,
replaced

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

Computation
of total
income

“10. The income used in computing the amount of the real estate tax refund to which the person contemplated in section 2 is entitled for a year is the amount by which the aggregate of the total income of the person for the year and, as the case may be, the total income for the year of that person’s spouse during the year exceeds

(a) \$5 880 if the person contemplated in section 2 has a spouse and a dependent child during the year;

(b) \$4 970 if the person contemplated in section 2 has no spouse, but has a dependent child during the year, 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 child lives during the year, and meets the prescribed requirements;

(c) \$3 210 if the person contemplated in section 2 is not contemplated in subparagraphs *a* and *b*, has a dependent child 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;

(d) \$0 in any other case.

Dependent
child

For the purposes of this section, a person has a dependent child during the year if he himself or his spouse during the year, where such is the case, deducts or, were it not for the child's income, would deduct an amount for the year under sections 695 to 701 of the Taxation Act in respect of a child contemplated in paragraph *c* of section 695 of that Act or who would be contemplated therein if the said paragraph *c* were read without reference to subparagraph *v* thereof.

Total
income

For the purposes of this section, the total income is the aggregate contemplated in subparagraph *d* of the first paragraph of section 776.21 of the Taxation Act, and the word "child" has the meaning assigned by section 1 of that Act."

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years. However, where it applies to the computation of real estate tax refunds for the year 1987, section 10 of the Act respecting real estate tax refund, as enacted thereby, shall be read as follows:

Computation
of total
income

"10. The income used in computing the amount of the real estate tax refund to which the person contemplated in section 2 is entitled for a year is the aggregate of the total income of the person for the year and, as the case may be, the total income for the year of that person's spouse during the year.

Total
income

For the purposes of this section, the total income is the aggregate contemplated in subparagraph *d* of the first paragraph of section 776.21 of the Taxation Act (R.S.Q., chapter I-3)."

c. R-20.1,
s. 10.1,
replaced

170. (1) Section 10.1 of the said Act, replaced by section 100 of chapter 21 of the statutes of 1987, is again replaced by the following section:

Computation
of real
estate tax
refund

"10.1 Subject to section 10.2, the amount referred to in section 7 is equal to the aggregate of the amounts deducted for the year under sections 695 to 701 of the Taxation Act by the person contemplated in section 2 and, as the case may be, that person's spouse during the

year, except the amounts deducted under paragraph *g* of section 695 of that Act for that year and except the amounts deducted by the spouse for the year under paragraph *a* of the said section 695 and under the part of that section preceding that paragraph.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 10.2,
replaced

171. (1) Section 10.2 of the said Act, enacted by section 100 of chapter 21 of the statutes of 1987, is replaced by the following section:

Rules

“**10.2** For the purposes of section 10.1, the following rules apply:

(a) the amount deducted by the person contemplated in section 2 under paragraph *a* of section 695 of the Taxation Act for the year is deemed to be equal to the amount the person could deduct under paragraph *a* of the said section 695 for the year if

i. the word “spouse” had, in paragraph *a* of section 695 of the Taxation Act, the meaning assigned in paragraph *a* of section 1; and

ii. that person’s spouse during the year had no income for that year;

(b) where, for the purposes of section 10.1, the person contemplated in section 2 is deemed to deduct an amount under paragraph *a* of section 695 of the Taxation Act for the year and where that person or that person’s spouse during the year deducts an amount under section 695.1 of that Act for the year, the latter amount must be computed as if the amount of \$3 960 provided for in section 695.1 were replaced by the amount of the deduction provided for in paragraph *c* of section 695 of that Act for the year;

(c) where, for the purposes of section 10.1, no amount is deemed to be deducted for the year under paragraph *a* of section 695 of the Taxation Act by the person contemplated in section 2 and where that person deducts an amount under section 695.1 of that Act for the year, the latter amount is deemed to be equal to the amount the person could deduct under the said section 695.1 for the year if the dependent person contemplated therein had no income for that year.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 10.3,
repealed

172. (1) Section 10.3 of the said Act, enacted by section 100 of chapter 21 of the statutes of 1987, is repealed.

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. R-20.1,
s. 14.2,
added

173. The said Act is amended by inserting, after section 14.1, the following section:

Indexing

“14.2 The amounts of \$5 880, \$4 970 and \$3 210 mentioned in section 10 must be indexed annually so that each of these amounts to be used for a taxation year subsequent to 1988 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 694.1 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.

Computation

Where an amount referred to in the first paragraph is not a multiple of \$10 where indexed in accordance with that paragraph, it must be rounded off to the nearest multiple of \$10 or, if it is equidistant from two multiples of \$10, to the higher multiple.”

c. R-20.1,
s. 19,
replaced

174. (1) Section 19 of the said Act is replaced by the following section:

Refund

“19. Subject to sections 9.1 and 45, the Minister shall pay the real estate tax refund to the person who applied for it and section 1052 of the Taxation Act (R.S.Q., chapter I-3) applies, adapted as required, to that payment.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1987 and for subsequent years.

c. S-37.1,
s. 1, am.

175. (1) Section 1 of the Act respecting work income supplement (R.S.Q., chapter S-37.1) is amended

(1) by striking out paragraph *b*;

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

“maximum
benefit
income”

“(e) “maximum benefit income” means the work income entitling a couple or a person to the maximum work income supplement benefit.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 2,
replaced

176. (1) Section 2 of the said Act is replaced by the following section:

Work
income sup-
plement

“2. A couple is entitled to a work income supplement for a year if, on 31 December of the preceding year,

(a) it was composed of spouses one of whom had reached the age determined by regulation;

(b) one of these spouses had had a work income during that preceding year;

(c) these spouses were resident in Québec and one of them had been resident in Canada for at least one year;

(d) these spouses had property not excluded by regulation, the market value of which did not exceed the amount determined by regulation; and

(e) neither of these spouses had a dependent child.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 3, am.

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

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

Eligibility of
a single
person

“3. A person who is not a member of a couple within the meaning of section 2 is also entitled to a work income supplement for a year if, on 31 December of the preceding year, that person”;

(2) by striking out the word “and” at the end of paragraph *d*;

(3) by replacing the period at the end of paragraph *e* by a semicolon and the word “and”;

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

“(f) had no dependent child.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 4,
replaced

178. (1) Section 4 of the said Act is replaced by the following section:

Exception

“4. A couple contemplated in section 2 or a person contemplated in section 3 is not, however, entitled to a work income supplement if either member of that couple or that person is exempt from tax under section 982 or 983 of the Taxation Act (R.S.Q., chapter I-3), for the year preceding that for which an application for a supplement is made.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
ss. 5-7,
replaced

179. (1) Sections 5 to 7 of the said Act are replaced by the following sections:

Work
income not
exceeding
maximum
benefit
income

“5. Where the work income of the members of the couple contemplated in section 2 or, as the case may be, the work income of a person contemplated in section 3, does not exceed the maximum benefit income established by regulation, the work income supplement to which that couple or that person is entitled for the year is a benefit equal to $66 \frac{2}{3}\%$ for 1988 and $33 \frac{1}{3}\%$ for 1989 of the remainder obtained by subtracting from the percentage, determined by regulation, of that work income the amount by which that couple's or person's total income exceeds that maximum benefit income.

Work
income
exceeding
maximum
benefit
income

If that work income exceeds the maximum benefit income established by regulation, the work income supplement is a benefit equal to $66 \frac{2}{3}\%$ for 1988 and $33 \frac{1}{3}\%$ for 1989 of the remainder obtained by subtracting from the percentage, determined by regulation, of that maximum benefit income one-third of the amount by which that work income exceeds that maximum benefit income and the amount by which the total income exceeds that same work income.

Basis of
computation

“6. The work income used in computing the work income supplement is, as the case may be, that of the couple contemplated in section 2, or that of the person contemplated in section 3, for the year preceding that during which an application for a supplement is made.

Work
income

That work income is the aggregate of

(a) income from an office or employment and contemplated in subparagraph i of paragraph *d* of section 776.21 of the Taxation Act (R.S.Q., chapter I-3), as it read in its application to the taxation year 1986; and

(b) income from a business and contemplated in subparagraph ii of paragraph *d* of section 776.21 of the Taxation Act, as it read in its application to the taxation year 1986, less the losses contemplated therein from a business.

Basis of
computation

“7. The total income used in computing the work income supplement is, as the case may be, that of the couple contemplated in section 2, or that of the person contemplated in section 3, for the year preceding that during which an application for a supplement is made.

Total
income

That total income is the aggregate contemplated in paragraph *d* of section 776.21 of the Taxation Act, as it read in its application to the taxation year 1986, less the amount contemplated in section 313.2 of that Act which has been included in computing that aggregate.”

(2) This section, where it replaces sections 5 and 6 of the Act respecting work income supplement, applies in respect of the computation of the work income supplement for calendar years subsequent to 1987 and, where it replaces section 7 of the said Act, applies in respect of the computation of the work income supplement for calendar years subsequent to 1986. However, where this section applies to the computation of the work income supplement for the calendar year 1987, the first paragraph of section 7, as enacted thereby, shall be read as follows:

Basis of
computation

“**7.** The total income used in computing the work income supplement is, as the case may be, that of the spouses who are members or of the person who is a member of a family within the meaning of section 2, or that of the person contemplated in section 3, for the year preceding that during which an application for a supplement is made.”

c. S-37.1,
s. 8, am.

180. (1) Section 8 of the said Act is amended by replacing the third paragraph by the following paragraph:

Effect

“The use of that table shall, in no case, entail a reduction of the work income supplement to which a couple or a person is entitled under section 5.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 9, am.

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

Application
for supple-
ment

“**9.** Every person who wishes to receive a work income supplement for a couple or for himself must make an application therefor to the Minister in the form and containing the information prescribed by the latter, not later than 30 April of the year following that during which he has had a work income.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 11, am.

182. (1) Section 11 of the said Act is amended by replacing the first paragraph by the following paragraph:

Determina-
tion of sup-
plement

“11. The Minister shall, with all due dispatch, examine the application for a supplement sent to him and determine the work income supplement to which the couple or the person is entitled.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
ss. 14 and
15, replaced

183. (1) Sections 14 and 15 of the said Act are replaced by the following sections:

Payment to
applicant or
spouses

“14. The Minister shall pay the work income supplement to the person who applied for it; in the case of a couple, he shall pay the supplement to both of the spouses jointly unless they have requested that it be payable to one of them only.

Information
in applica-
tion or cer-
tificate

“15. The Minister is not bound by information supplied in an application for a supplement or in a certificate and he may determine the work income supplement to which a couple or a person is entitled on the basis of information from another source.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 36, am.

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

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

“(a) determining for the purposes of entitlement to a work income supplement, the required age of one of the spouses contemplated in section 2 and the required age of a person contemplated in section 3;”;

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

“(c) establishing the maximum benefit income applicable to a couple contemplated in section 2;”;

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

Regulation

“Notwithstanding the second paragraph, any regulation made in the year 1988 under this section may, upon its publication and if it so provides, apply to a date prior to its publication but not prior to 1 January 1988.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 39,
replaced

185. (1) Section 39 of the said Act is replaced by the following section:

Compensa-
tion

“39. For the application of section 31 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), the payment of a work income supplement under this Act is deemed to be a refund by reason of the application of a fiscal law. The Minister may thus apply the work income supplement owing to a couple or a person to the payment of a debt to which that person or either spouse is bound under a fiscal law within the meaning of the Act respecting the Ministère du Revenu.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 43,
replaced

186. (1) Section 43 of the said Act is replaced by the following section:

Designated
minister

“43. The Government shall designate a minister who, in cooperation with the Minister of Revenue and the Minister of Manpower and Income Security, shall devise and propose to it such policies as may ensure a quality of life and standard of living suitable for each person and couple within the scope of this Act, and shall exercise any other function assigned to him by the Government respecting the application of this Act.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
s. 48,
replaced

187. (1) Section 48 of the said Act is replaced by the following section:

Effect

“48. This Act has effect with respect to spouses one of whom has reached the age determined by regulation, contemplated in section 2, and with respect to a person contemplated in section 3, only from 1 January 1980.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1987.

c. S-37.1,
repealed

188. (1) The said Act is repealed.

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1989.

c. T-1, s. 1,
am.

189. (1) Section 1 of the Fuel Tax Act (R.S.Q., chapter T-1) is amended by replacing paragraph *a* by the following paragraph:

“farming” “(a) “farming”: includes tillage of the soil, livestock raising or exhibiting, maintaining of horses for racing, raising of poultry, fur farming, dairy farming, fruit growing, the keeping of bees and acericulture;”.

(2) This section has effect from 1 May 1987.

c. T-1, s. 2,
am.

190. (1) Section 2 of the said Act, replaced by section 101 of chapter 21 of the statutes of 1987, is amended by replacing the first paragraph by the following paragraph:

Fuel tax

“2. Every person who in any way acquires in Québec one of the following categories of fuel for purposes other than resale shall pay to the Minister, on each litre of that fuel, a tax equal to

(a) \$0.1440 per litre for gasoline;

(b) \$0.1245 per litre for fuel oil;

(c) \$0.0825 per litre for propane gas.”

(2) This section has effect from 1 May 1987.

c. T-1, s. 9,
am.

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

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

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

“(h) natural gas.”

(2) This section has effect from 1 May 1987.

c. T-3, s. 4,
replaced

192. (1) Section 4 of the Meals and Hotels Tax Act (R.S.Q., chapter T-3) is replaced by the following section:

Single meal-
check

“4. When there is a single meal-check for several persons or meals, it shall not be divided by the number of persons or meals and, notwithstanding section 2, the tax is computed on the total price of the meals appearing on the meal-check.”

(2) This section has effect from 19 June 1987.

Coming into
force

193. This Act comes into force on 31 March 1988.