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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-FOURTH LEGISLATURE

Bill 33

## **An Act to again amend the Taxation Act and other fiscal legislation**

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### **Introduction**

**Introduced by  
Mr Yves Séguin  
Minister of Revenue**

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## EXPLANATORY NOTES

*This bill amends various fiscal laws to give effect, primarily, to the Budget Speech made by the Minister of Finance of Québec on 16 May 1989 and, secondarily, particularly to the Ministerial Statements of the said Minister on 18 October 1989, 22 December 1988 and 18 December 1987.*

*Firstly, this bill amends the Retail Sales Tax Act in order*

*(1) to provide an exemption on the purchase of a blueberry-based alcoholic beverage;*

*(2) to provide an exemption on the purchase of containers used mainly in sea transport;*

*(3) to grant an exemption to sufferers from respiratory insufficiency or diabetes on the purchase of certain property;*

*(4) to extend the exemption respecting production material on the purchase of rolling stock used for production;*

*(5) to specify the right to reimbursement of the sales tax in respect of an amount reimbursed on the return of merchandise.*

*Secondly, it amends the Tobacco Tax Act to allow the imposition of a tax of 60 % on the purchase of pre-rolled tobacco products.*

*Thirdly, it amends the Taxation Act to introduce a number of Québec fiscal measures into it. These measures regard the following matters in particular:*

*(1) the introduction of an additional deduction in respect of certain surface mining exploration expenses incurred in Québec;*

*(2) the introduction of a tax credit of 40 % in respect of expenditures for scientific research and experimental development undertaken as part of a catalyst project;*

*(3) the introduction of a new deduction for individuals to encourage the financing of scientific research and experimental development through research and development venture capital corporations;*

*(4) the extension to public corporations of the tax credit of 40 % on the first \$2 000 000 of salaries and wages paid in respect of expenditures for scientific research and experimental development;*

*(5) the recognition of university hospital medical research centres as new university entities eligible for the 40 % tax credit for the total amount of expenditures for scientific research and experimental development;*

*(6) the reduction of payments on account of tax on capital where the value attributable to tax credits connected with scientific research and experimental development is higher than such payments with respect to tax on income;*

*(7) the qualification for a share savings plan of a share acquired as a result of the conversion of a debenture or of a convertible preferred share;*

*(8) the relaxation of certain penalties respecting share savings plans;*

*(9) the increase of the deduction relating to an investment in a Québec business investment company;*

*(10) the introduction of the savings and credit union permanent shares savings plan;*

*(11) the introduction of a deduction in computing the taxable income and in computing the paid-up capital of the Fonds de solidarité des travailleurs du Québec (F.T.Q.);*

*(12) the introduction of an additional deduction of 25 % for investments made as part of a workers' cooperative investment plan;*

*(13) the indexing of certain amounts representing the value of recognized essential needs for the purpose of establishing certain personal tax credits and the amount of the tax reduction for families;*

*(14) the introduction of a tax credit in respect of reasonable travel and lodging expenses incurred to obtain medical care in a remote area;*

*(15) an increase from 7.25 % to 12 % of the surtax on corporations;*



*(16) the relaxation of the rules exempting new corporations and the penalty for electing after the prescribed time;*

*(17) the use of the funds accumulated in a registered retirement savings plan;*

*(18) the extension of the time for issuing notice of a new contribution or an additional contribution in the case of mutual fund trusts or for corporations other than Canadian controlled private corporations;*

*(19) the amendment of the rules for computing unpaid tax for the purposes of the penalty for late filing;*

*(20) the limitation of payment of credit interest to a taxpayer where he makes an application for deferral of prospective loss in a year after the expiration of the prescribed time for filing his return;*

*(21) the permission for certain corporations to deduct the deferred tax debt in computing paid-up capital;*

*(22) the restriction of the deductibility of certain short-term securities for the purposes of computing capital tax.*

*Fourthly, it amends the Licenses Act to provide an exemption on the purchase of a blueberry-based alcoholic beverage.*

*Fifthly, it amends the Act respecting the Ministère du Revenu in order to introduce into it the following measures:*

*(1) the application, to the amount certified by a judgment rendered under section 13 of that Act, of the interest applicable to all fiscal debts up to the date of payment;*

*(2) the elimination of the report or inventory of the property in a safety-deposit box, on the death of a person;*

*(3) the identification of the debtor or the paying agency as the persons to whom a certificate of ownership must be furnished on the negotiation of certain instruments or securities by a person resident in Québec;*

*(4) the authorization to prescribe by regulation the terms and conditions of issue of the certificate by the debtor or paying agency;*

*(5) the replacement, by a penalty, of the fine imposed for failure to comply with the obligation on certain persons to furnish a certificate of ownership in certain cases.*

*Sixthly, it amends the Act respecting the Régie de l'assurance-maladie du Québec in order to raise the additional contribution of employers to the health services fund from 7.25 % to 12 %.*

*Seventhly, it amends the Act respecting real estate tax refund in order*

*(1) to provide for the indexing of certain deductions designed to reflect the thresholds of no taxation for the computation of real estate tax refund;*

*(2) to raise the maximum amount of eligible real estate tax for the computation of real estate tax refund.*

*Eighthly, it amends the Telecommunications Tax Act to grant an exemption where a person rents a telecommunications service to provide another telecommunications service which is taxable.*

*Lastly, it amends the Act to amend the Taxation Act and other legislation and to make certain provisions respecting retail sales tax in order, particularly,*

*(1) to give effect, retroactively, to the measure concerning the recognition of university hospital medical research centres as eligible university entities;*

*(2) to make the measure designed to spread over several years the tax respecting a retroactive disability pension applicable to retroactive disability pension payments received after 31 December 1984.*

#### **ACTS AMENDED BY THIS BILL:**

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

(2) the Tobacco Tax Act (R.S.Q., chapter I-2);

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

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

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

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

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

(8) the Telecommunications Tax Act (R.S.Q., chapter T-4);

(9) the Act to amend the Taxation Act and other legislation and to make certain provisions respecting retail sales tax (1989, chapter 5).



## Bill 33

### **An Act to again amend the Taxation Act and other fiscal legislation**

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

**1.** (1) Section 2 of the Retail Sales Tax Act (R.S.Q., chapter I-1), amended by section 4 of chapter 4 of the statutes of 1988, is again amended

(1) by replacing the period at the end of paragraph 20 by a semicolon;

(2) by adding, after paragraph 20, the following paragraph:

“(21) “blueberry-based alcoholic beverage” means an alcoholic beverage not less than 60 % of the alcoholic content of which is obtained by the alcoholic fermentation of blueberries or which contains not less than 80 %, by volume of the end product, juice extracted from blueberries, but does not include a flavoured blueberry-based alcoholic beverage obtained by the addition of flavouring materials and containing not less than 1.5 % nor more than 7 % alcohol by volume.”

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

**2.** (1) Section 10.1 of the said Act, replaced by section 9 of chapter 4 of the statutes of 1988 and amended by section 9 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“10.1** Every person who has purchased or produced in Québec or brought into Québec moveable property contemplated in paragraph z of section 17 which is rolling-stock, excluding railway equipment, shall pay a tax at the rate provided in section 6 on the value of the rolling-stock on the earlier of the following dates:

(a) the day he begins to use the rolling-stock on a public road,  
or

(b) the last day of the first twelve-month period in which the person uses the rolling-stock mainly for purposes other than those provided in paragraph z of section 17.

For the purposes of the first paragraph, the value of the rolling-stock means the market value of the rolling-stock determined as on the day the tax becomes payable.

In addition, every 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 shall, when he begins to use the property for any other purpose or elsewhere than in that quarry or mine pay a tax at the rate provided in section 6 on the market value of the property at that time."

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

**3.** (1) Section 17 of the said Act, amended by section 12 of chapter 4 of the statutes of 1988, is again amended

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

"(g) Sales of vitamins, decoctions and the vegetable substances used in preparing them, foodstuffs, cider and blueberry-based alcoholic beverages, and sales of beer in taverns;"

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

"(j.1) Sales of containers used mainly in sea transport;"

(3) by inserting, after subparagraph *v* of paragraph *l.1*, the following subparagraph:

"v.1 property used to administer oxygen, syringes and needles used for insulin injections, property used to determine the proportion of glucose in the blood, where the sales are made to persons suffering from respiratory insufficiency or diabetes or to the fathers, mothers or tutors of such persons;"

(4) by replacing subparagraph *vi* of paragraph *l.1* by the following subparagraph:

"vi. component or spare parts of the property contemplated in subparagraphs *i* to *v.1*;"

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

(3) Paragraph 2 of subsection 1 has effect from 19 October 1989.

(4) Paragraphs 3 and 4 of subsection 1 have effect from 14 September 1989.

**4.** (1) Section 18.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of the first paragraph, aerated water to which essence or syrup has been added does not include a beverage prepared from drinking water and fruit juice, concentrated fruit juice, fruit or a mixture of such components in which the proportion of fruit juice is not less than 12 % and alcohol, spirits or wine include neither a blueberry-based alcoholic beverage nor cider.”

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

**5.** (1) Section 18.3 of the said Act, enacted by section 10 of chapter 5 of the statutes of 1989, is amended

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

**“18.3** For the purposes of paragraphs *y*, *z* and *aa* of section 17 and of this section, the following mean:”;

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

“*i.* machinery, tools, equipment and accessories, except rolling-stock;”;

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

“*iii.* plans, drawings, models and prototypes, including rolling-stock used as a prototype;”;

(4) by replacing that part which follows subparagraph *vi* of paragraph *a* by the following:

“*vii.* rolling-stock only employed out of public roads, except railway equipment which is not only used solely in a mine or quarry for the purposes of the exploitation of this mine or quarry and except any automobile, aircraft or boat;

but does not include equipment for the air conditioning, lighting, heating or ventilation of production premises and any returnable

property which is used for the delivery or transportation of merchandise.”;

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

“i. every self-propelled vehicle”;

(6) by striking out that part which follows subparagraph iii of paragraph *b*;

(7) by replacing that part of paragraph *c* which precedes subparagraph i by the following:

“(c) “production”: all those activities consisting of the assembling, processing or conditioning of property from which is derived other property that is different from the first property by its nature or characteristics, the restoring of moveable property by its owner, the taping of pictures or the recording of sound and the generating of electricity, the building and maintenance of forest access roads in the course of carrying on a timber business, the piling up, at a first point of depot, of residues carrying on mine business derived from the first stage of concentration, including, whenever performed by the same person in conjunction with the preceding activities.”;

(8) by replacing the period at the end of paragraph *c* by a semicolon;

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

“(d) “automobile”:

i. a passenger vehicle: a self-propelled vehicle, other than a truck, a minibus, an all-terrain vehicle or a snowmobile, designed for the transportation of not more than nine occupants at a time;

ii. a truck: a self-propelled vehicle, other than a minibus, a bus, an all-terrain vehicle or a snowmobile, having a net mass not in excess of 3 000 kg, with the characteristics of a truck, a pickup or a small van;

iii. a minibus: a self-propelled vehicle, other than a bus or an all-terrain vehicle, of the small van type designed for the transportation of more than seven occupants at a time;

iv. a bus: a self-propelled vehicle designed for the transportation of more than nine occupants at a time;

v. an all-terrain vehicle: a self-propelled vehicle having two or more wheels and a net mass not in excess of 450 kg and designed to run on unworked surfaces;



vi. a snowmobile: a self-propelled vehicle constructed mainly for travel on snow or ice, with or without steering skis or runners and driven by an endless track in contact with the ground;

vii. all that which is attached to a property contemplated in subparagraphs i to vi or intended to be so;

“(e) “net mass”: the mass of a self-propelled vehicle indicated by the manufacturer at the time of shipping or the mass indicated on the weighing certificate where the self-propelled vehicle has been modified or is equipped with an accessory or device to cause it to conform to the special use for which it has been designed.”

(2) This section has effect from 17 May 1989. It also applies to rolling-stock under a lease on 16 May 1989 but only as regards the rent paid after that date, and to rolling-stock purchased before 17 May 1989 and delivered after 16 May 1989.

**6.** (1) Section 18.4 of the said Act, enacted by section 10 of chapter 5 of the statutes of 1989, is amended by replacing that part which precedes paragraph *a* by the following:

“**18.4** For the purposes of paragraph *c* of section 18.3, the following mean:”.

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

**7.** (1) The said Act is amended by inserting, after section 20.9.1, the following section:

“**20.9.2** Where a person returns to a vendor moveable property he has purchased, in return for the reimbursement of all or part of the sale price, he is entitled to the reimbursement of the tax he has paid in respect of the sale price thus reimbursed.

The vendor may reimburse the amount of the tax and deduct it from the amount to be remitted to the Minister for the month pursuant to section 14.

The preceding paragraphs do not apply in respect of property returned after the tax applicable at the time of the purchase of the property has been abolished or reduced.”

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

**8.** (1) Section 2 of the Tobacco Tax Act (R.S.Q., chapter I-2) is amended

(1) by replacing the period at the end of paragraph 15 by a semicolon;

(2) by adding, after paragraph 15, the following paragraph:

“(16) “loose tobacco” means any cut, chopped or granular tobacco sold in packages, but does not include cigarettes, cigars and rolls of tobacco or any other pre-rolled tobacco products designed for smoking.”

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

**9.** (1) Section 8 of the said Act is amended

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

“(b) \$0.02 per gram for any loose tobacco;”;

(2) by replacing the period at the end of subparagraph *c* by a semicolon;

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

“(d) 60 % of the retail price of any tobacco other than cigarettes, loose tobacco and cigars.”;

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

“Notwithstanding subparagraph *b* of the first paragraph, where the retail price of any loose tobacco is less than \$0.0292 per gram, the tax payable is equal to 60 % of the retail price of that tobacco.”

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

**10.** (1) Section 42 of the Taxation Act (R.S.Q., chapter I-3) is amended by replacing subsection 3 by the following subsection:

“(3) This section applies only to an individual who performs his duties in the place referred to in paragraph *a* or *b* of subsection 1 for a period of not less than 36 hours or whose duties oblige him to be absent for such a period from his principal place of residence, but does not apply to an individual who is entitled to the deduction provided for in section 79.1.”

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

**11.** (1) The said Act is amended by inserting, after section 223, the following section:

**“223.1** Where a taxpayer carries on a business in Canada in a taxation year by reason of an arrangement, a transaction or an event, or of a series of arrangements, transactions or events, and it may reasonably be considered that one of the purposes of the arrangement, transaction or event or of the series of arrangements, transactions or events is to enable the taxpayer to carry on the business so as to allow him to deduct an amount, in computing his income from that business for that taxation year, pursuant to sections 222 to 226, the taxpayer is deemed, for the purposes of such sections, not to carry on the business in that year by reason of the arrangement, transaction or event or of the series of arrangements, transactions or events except if the taxpayer is, owing to the arrangement, transaction or event, or to the series of arrangements, transactions or events, a member other than a specified member.”

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

(a) the preparation of which was terminated on 17 May 1989 and for which expenditures in respect of scientific research and experimental development were made before that date; or

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling respecting the application of section 223.1 of the Taxation Act, enacted by this section, has been given by the Ministère du Revenu.

**12.** (1) Section 225 of the said Act, replaced by section 52 of chapter 5 of the statutes of 1989, is amended by inserting, after paragraph *b*, the following paragraph:

“(b.1) where, in respect of a scientific research and experimental development project referred to in section 222 or 223 or in respect of the carrying out of that project, a person has obtained, is entitled to obtain or can reasonably be expected to obtain a benefit or an advantage, whether in the form of a reimbursement, compensation, guarantee or the proceeds of the disposition of property exceeding the fair market value of the property or in any other form or manner, and it may reasonably be considered that the benefit or advantage directly

or indirectly results in a compensation or indemnity or, otherwise, in any manner whatsoever, in a benefit for a party to the project, the amount of the benefit or advantage which the person has obtained, is entitled to obtain or can reasonably be expected to obtain at the time the taxpayer files his fiscal return for the year;”.

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

(a) the preparation of which was terminated on 17 May 1989 and for which expenditures in respect of scientific research and experimental development were made before that date; or

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling respecting the application of paragraph b.1 of section 225 of the Taxation Act, enacted by this section, has been given by the Ministère du Revenu.

**13.** (1) The said Act is amended by inserting, after section 226, the following section:

**“226.1** Where, in respect of a scientific research and experimental development project referred to in section 226 or in respect of the carrying out of that project, a person has obtained, is entitled to obtain or can reasonably be expected to obtain a benefit or an advantage, whether in the form of a reimbursement, compensation, guarantee or the proceeds of the disposition of property exceeding the fair market value of the property or in any other form or manner, and it may reasonably be considered that the benefit or advantage directly or indirectly results in a compensation or indemnity or, otherwise, in any manner whatsoever, in a benefit for a party to the project, the amount which the taxpayer may deduct under the said section 226 for the taxation year referred to therein shall be reduced by the amount of the benefit or advantage which the person has obtained, is entitled to obtain or can reasonably be expected to obtain at the time the taxpayer files his fiscal return for the year.”

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

other than such an expenditure made in respect of a scientific research and experimental development project

(a) the preparation of which was terminated on 17 May 1989 and for which expenditures in respect of scientific research and experimental development were made before that date; or

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling respecting the application of section 226.1 of the Taxation Act, enacted by this section, has been given by the Ministère du Revenu.

**14.** (1) Section 310 of the said Act is replaced by the following section:

**“310.** The amounts a taxpayer shall include in computing his income under section 309 include those in respect of a registered retirement savings plan or a registered retirement income fund, to the extent provided in sections 906 to 935, and those provided for in sections 965.20, 965.49, 965.50, 968 and 968.1.”

(2) This section applies to an issue of permanent shares by a savings and credit union in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 16 May 1989 and which are acquired before 1 January 1992.

**15.** (1) Section 311 of the said Act, amended by section 25 of chapter *(insert here the chapter number of Bill 31)* of the statutes of 1989, is again amended by inserting, after paragraph *e*, the following paragraph:

**“(e.1)** a benefit paid under the Programme d’adaptation pour les travailleurs âgés according to the terms of the agreement made following the approval obtained under Order 1396-88 of 14 September 1988;”.

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

**16.** Section 354 of the said Act, amended by section 32 of chapter 4 of the statutes of 1988 and by section 62 of chapter 5 of the statutes of 1989, is again amended by replacing subparagraphs i and ii of paragraph *a* by the following subparagraphs:

“i. the aggregate of \$4 000 for the taxation years 1988 and 1989 and \$4 200 from the taxation year 1990 per eligible child of the individual for the year who either is under seven years of age on 31 December of that year or would have been had he then been living, or is described in section 355.1, and in respect of whom the expenses were incurred, and of \$2 000 for the taxation years 1988 and 1989 and \$2 100 from the taxation year 1990 for any other eligible child of the individual for the year in respect of whom the expenses were incurred; and

“ii. the individual’s earned income for the year; exceeds”.

**17.** (1) Section 358.5 of the said Act, enacted by section 34 of chapter 4 of the statutes of 1988 and repealed by section 65 of chapter 5 of the statutes of 1989, is amended by replacing paragraph *d* by the following paragraph:

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

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

**18.** (1) Section 358.13 of the said Act, enacted by section 66 of chapter 5 of the statutes of 1989, is amended by adding, after the third paragraph, the following paragraph:

“Notwithstanding the third paragraph, where an amount was paid, under a university research contract, to a prescribed university hospital medical research centre referred to in subparagraph *d* of section 358.5 before a favourable advance ruling regarding the contract was made by the Ministère du Revenu, the amount so paid is deemed, for the purposes of the first paragraph only, to have been paid after a favourable advance ruling regarding the contract was made by the Ministère du Revenu where

(a) an application for an advance ruling regarding the contract was submitted to the Ministère du Revenu on or before 31 December 1989; and

(b) a favourable advance ruling regarding the contract was made by the Ministère du Revenu.”

(2) This section applies in respect of an amount which an individual may deduct, in computing his income for his taxation year 1987, under section 358.10 or 358.11 of the Taxation Act, where an amount or a share of the amount, as the case may be, in respect of

which he deducted the amount relates to a university research contract entered into after 18 December 1987 but before 1 January 1988.

**19.** (1) Section 600.0.1 of the said Act, enacted by section 74 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“600.0.1** Except for the purposes of Chapter II.1 of this title, paragraph *i* of section 255 and paragraph *l* of section 257, where, in a particular taxation year, an individual is a member of a particular partnership and the particular partnership deducted, in computing its income for its taxation year ending in the particular taxation year, an amount under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a certified Québec film, within the meaning of the regulations under the said section 130, or another partnership deducted, in the same respect, an amount under one of the said paragraphs which may reasonably be considered to have contributed to the creation or increase of the individual's share of the loss of the particular partnership which, but for this section, would be determined for the particular taxation year, or to the reduction or cancellation of the individual's share of the income of the particular partnership which, but for this section, would be determined for the particular taxation year, the following rules apply:

(a) where the individual would, but for this section, have a share of the income of the particular partnership for the particular taxation year, that share is deemed, notwithstanding paragraph *f* of section 600, to be equal to the aggregate of his share of the income of the particular partnership for the particular taxation year which, but for this section, would be determined in the said paragraph *f*, of his share of the amount so deducted by the particular partnership in computing its income for the particular taxation year pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 and, as the case may be, of the amount so deducted by the other partnership pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 to the extent that it may reasonably be considered that the deduction of that amount by the other partnership contributed to the reduction of that share of the income of the particular partnership for the particular taxation year which, but for this section, would have been determined in the said paragraph *f*;

(b) where the individual would, but for this section, have a share of the loss of the particular partnership for the particular taxation year, that share is deemed, notwithstanding paragraph *g* of section 600, to be equal to the amount by which his share of the loss of the

particular partnership for the particular taxation year which, but for this section, would be determined in the said paragraph *g* exceeds the lesser of

i. the aggregate of his share of the amount so deducted by the particular partnership, in computing its income for that taxation year, pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 and, as the case may be, of the amount so deducted by the other partnership pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 to the extent that it may reasonably be considered that the deduction of that amount by the other partnership contributed to the creation or increase of that share of the loss of the particular partnership for the particular taxation year which, but for this section, would have been determined in the said paragraph *g*; and

ii. his share of the loss of the particular partnership for the particular taxation year which, but for this section, would be determined in paragraph *g* of section 600;

(*c*) where the amount determined in subparagraph i of paragraph *b* for the particular year exceeds the amount referred to in subparagraph ii of the said paragraph for the same year, the excess amount is deemed to constitute the individual's share of the income of the particular partnership for the particular taxation year;

(*d*) where, for the particular taxation year, the individual would, but for this section, have neither a share of the income of the particular partnership nor a share of the loss of the particular partnership, he is deemed to have a share of the income of the particular partnership for the particular taxation year in an amount equal to the aggregate of his share of the amount so deducted by the particular partnership, in computing its income for that taxation year, pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 and, as the case may be, of the amount so deducted by the other partnership under the said paragraph *a* of section 130 or the said second paragraph of section 130.1 to the extent that it may reasonably be considered that the deduction of that amount by the other partnership contributed to the cancellation of the individual's share of the income of the particular partnership for the particular taxation year which, but for this section, would otherwise have been determined in paragraph *f* of section 600."

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

**20.** (1) Section 693 of the said Act, amended by section 41 of chapter 4 of the statutes of 1988 and by section 83 of chapter 5 of the



statutes of 1989, is again amended by replacing the second paragraph by the following paragraph:

“However, the taxpayer shall apply the provisions of this book in the following order: sections 726.24, 737.8 and 737.17, Titles V, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, VI.3.2, VI.3.2.1, VI.3.3, VI.3.4, VII, VI.5 and VI.6 and sections 726.25, 737.14 to 737.16 and 737.21.”

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

**21.** (1) The said Act is amended by inserting, after section 726, the following section:

#### “TITLE VI.0.1

##### “SAVINGS AND CREDIT UNION PERMANENT SHARES SAVINGS PLAN

“**726.0.1** An individual may deduct for the year the amount provided for in section 965.47.”

(2) This section applies to issues of permanent shares by savings and credit unions in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 16 May 1989 and which are acquired before 1 January 1992.

**22.** Section 726.4.10 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended by replacing subparagraph i of paragraph *a* by the following subparagraph:

“i. the aggregate of the expenses, except those described in section 726.4.12, incurred in Québec by the individual after 30 June 1988 and before that time but not after 31 December 1990, and which are Canadian exploration expenses that would be described in paragraph *a* or *c* of section 395 if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec”, or described in paragraph *d* or *e* of the said section 395 if the reference, in those paragraphs, to an “expense described in paragraphs *a* to *c.1*” were replaced by a reference to an “expense that would be described in paragraph *a* or *c*, if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec””, exceeds”.

**23.** Section 726.4.12 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

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

“(b) any amount relating to Canadian exploration expenses that is renounced by a corporation that is not a qualified corporation, effective after 30 June 1988 and not later than 31 December 1990, pursuant to section 359.2 in respect of a share;”;

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

“i. to expenses incurred after 30 June 1988 and before the time referred to in section 726.4.10 but not after 31 December 1990, by a partnership that is not a qualified partnership or by a qualified partnership in accordance with an agreement described in that paragraph e entered into with a corporation that is not a qualified corporation; or”.

**24.** (1) Section 726.4.14 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended by replacing paragraphs a and b by the following paragraphs:

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

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

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

**25.** (1) Section 726.4.15 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended by replacing paragraph b by the following paragraph:

“(b) the corporation neither controls, directly or indirectly, another corporation that operates a mineral resource or an oil or gas well nor is so controlled by such a corporation.”

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

**26.** (1) The said Act is amended by inserting, after section 726.4.17, the following sections:

**"TITLE VI.3.2.1****"ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN SURFACE  
MINING EXPLORATION EXPENSES INCURRED IN QUÉBEC**

**"726.4.17.1** An individual may deduct, in computing his taxable income for a taxation year, an amount not exceeding his exploration base relating to certain Québec surface mining exploration expenses at the end of the year, computed before any deduction for the year under this section.

**"726.4.17.2** For the purposes of this title, the exploration base relating to certain Québec surface mining exploration expenses of an individual, at any time after 31 December 1988, means an amount equal to the amount by which  $33 \frac{1}{3} \%$  of the amount by which

(a) the aggregate of the expenses, except those described in section 726.4.17.4, incurred in Québec by the individual after 31 December 1988 and before that time but not after 31 December 1990, and which are Canadian exploration expenses that would be described in paragraph *c* of section 395 if the reference in that paragraph to "Canada", wherever it appears, were a reference to "Québec", or described in paragraph *d* or *e* of the said section 395 if the reference, in those paragraphs, to an "expense described in paragraphs *a* to *c.1*" were replaced by a reference to an "expense that would be described in paragraph *c*, if the reference in that paragraph to "Canada", wherever it appears, were a reference to "Québec"', except any of those expenses that are related to removing overburden and stripping, where such work is no longer needed to obtain indicators of mineralization or for the preliminary sampling thereof, or related to drilling and trenching or digging test pits, where such work constitutes underground exploration work, exceeds

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

exceeds the amount computed under section 726.4.17.3.

**"726.4.17.3** The amount that must be deducted from the amount determined under section 726.4.17.2 at any time referred to therein is equal to the aggregate of

(a) each amount deducted by the individual under section 726.4.17.1 in computing his taxable income for a taxation year ending before that time, and

(b) 33 1/3 % of each amount that became receivable by the individual before that time but after 31 December 1988 and in respect of which the consideration given by him was a property other than a property disposed of by the individual to any person with whom he was not dealing at arm's length, a share, depreciable property of a prescribed class or a Canadian resource property, or services, the cost of which may reasonably be regarded as having been an expenditure in respect of which an amount was included, under section 726.4.17.2, in computing the exploration base relating to certain Québec surface mining exploration expenses of the individual or of a person with whom he was not dealing at arm's length.

**“726.4.17.4** Expenses referred to in paragraph *a* of section 726.4.17.2 do not include

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

(b) any amount relating to Canadian exploration expenses that is renounced by a corporation that is not a qualified corporation, effective after 31 December 1988 and not later than 31 December 1990, pursuant to section 359.2 in respect of a share;

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

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

i. to expenses incurred after 31 December 1988 and before the time referred to in section 726.4.17.2 but not after 31 December 1990, by a partnership that is not a qualified partnership or by a qualified partnership in accordance with an agreement described in that paragraph *e* entered into with a corporation that is not a qualified corporation; or

ii. to expenses incurred in the period described in subparagraph i by the individual in accordance with an agreement described in that paragraph *e* entered into with a corporation that is not a qualified corporation.

**“726.4.17.5** Where an expense incurred before a particular time is included in the aggregate determined under paragraph *a* of section 726.4.17.2 in respect of an individual and, after that time, a person, including a partnership, becomes entitled to receive assistance, within the meaning of paragraph *c.0.1* of section 359, in respect of that expense, the assistance must be included in the aggregate referred to in paragraph *b* of that section 726.4.17.2 in respect of the individual at the time the expense was incurred, to the extent that he has not reduced the expense by virtue of subparagraph *a* of the first paragraph of section 359.2.

**“726.4.17.6** For the purposes of this title, a qualified partnership is a partnership all the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses referred to in paragraph *d* of section 395 are incurred and throughout the twelve-month period preceding that time, fulfils the following conditions:

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

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

**“726.4.17.7** For the purposes of this title, a qualified corporation is a corporation all of the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses referred to in paragraph *e* of section 395 or at the time the expenses in respect of which an amount is renounced under section 359.2, as the case may be, are incurred, and throughout the twelve-month period preceding that time, fulfils the following conditions:

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

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

**“726.4.17.8** For the purposes of this title and for greater certainty, the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities.

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

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

**27.** (1) Section 726.4.18 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989 and amended by section 75 of chapter (*insert here the chapter number of Bill 31*) of the statutes of 1989, is again amended

(1) by adding, after subparagraph ii of subparagraph *b* of the first paragraph, the following subparagraph:

“iii. a share that meets the requirements set forth in paragraphs *a* to *c* of section 726.4.18.1, that 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 after 16 May 1989 and that is a common share with full voting rights issued by an issuer, other than a designated company, referred to in subparagraph iii of subparagraph *e*;”;

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

“i. a qualifying share referred to in subparagraph i. of subparagraph *b*, issued after 12 May 1988 by an issuer referred to in subparagraph i of subparagraph *e* as part of a public share issue, in respect of which it is stipulated, in the final prospectus or the application for exemption from filing a prospectus, that the issuer or, as the case may be, a designated corporation referred to in subparagraph i or ii of subparagraph *d* whose corporate name is disclosed in the final prospectus or the application for exemption from filing a prospectus, undertakes, firstly, to make expenditures in respect of scientific research and experimental development carried on in Québec, in an amount exceeding 50 % of the consideration received for the share, where the receipt for the final prospectus or the exemption from filing a prospectus was granted before 17 May 1989 or in an amount, to be stipulated by the issuer in the final prospectus or in the application for exemption from filing a prospectus, equal to all or part of the consideration received for the share where the receipt for the final prospectus or the exemption from filing a prospectus was granted after 16 May 1989, in the period beginning on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and ending on a date to be

stipulated by the issuer in the final prospectus or the application for exemption from filing a prospectus and, secondly, to renounce, in accordance with section 726.4.27, in respect of the share, in prescribed form, all or part of an amount that the issuer or, as the case may be, the designated corporation, will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of expenditures so made, to the extent that such expenditures do not exceed the consideration received for the share by the issuer; or

“ii. a qualifying share referred to in subparagraph ii of subparagraph *b*, issued after 12 May 1988 and before 17 May 1989 by an issuer referred to in subparagraph ii of subparagraph *e*, pursuant to an agreement in writing entered into after 12 May 1988 and before 17 May 1989 between that issuer and a designated corporation referred to in subparagraph iii of subparagraph *d* or that will be referred to therein at the time the issuer makes, out of the consideration received for the share, a qualified investment, under which agreement the designated corporation undertakes, firstly, to make expenditures in respect of scientific research and experimental development carried on in Québec, in an amount exceeding 50 % of the consideration received for the share by the issuer, in the period beginning on the day the issuer makes a qualified investment in the designated corporation out of the consideration received for the share, and ending on a date to be stipulated by the issuer in the agreement and, secondly, to renounce, in accordance with section 726.4.27, in respect of the share issued by the issuer, in prescribed form, all or part of an amount the designated corporation will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of the expenditures so made, to the extent that such expenditures do not exceed the consideration received for the share by the issuer;”;

(3) by adding, after subparagraph ii of subparagraph *c* of the first paragraph, the following subparagraphs:

“iii. an interest share in a qualified investment, other than a qualified investment regarding which an agreement referred to in subparagraph ii was entered into, made by a designated company, after 16 May 1989, in a designated corporation referred to in subparagraph iii of subparagraph *d* pursuant to an agreement in writing entered into after that date between the designated company and the designated corporation and under which the designated corporation undertakes, firstly, to make, out of the consideration received in respect of the qualified investment, expenditures in respect of scientific research and experimental development carried on in Québec, in an amount, to be stipulated in the agreement, equal to the whole or part of the consideration, in the period beginning on

the day the designated company makes the qualified investment in the designated corporation and ending on a date to be stipulated in the agreement, and, secondly, to renounce, in accordance with section 726.4.27, in respect of the share, in prescribed form, all or part of the amount the designated corporation will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of the expenditures so made, to the extent that such expenditures do not exceed the divided interest of the share in the qualified investment;

“iv. a qualifying share referred to in subparagraph iii of subparagraph *b*, issued by an issuer referred to in subparagraph iii of subparagraph *e* as part of a public share issue, in respect of which it is stipulated, in the final prospectus or the application for exemption from filing a prospectus, that, on the one hand, the issuer undertakes to use all or part of the proceeds of the share issue, which must not be less than the minimum amount provided for in section 726.4.20.1 in respect of the proceeds and which must be indicated in the final prospectus or the application for exemption from filing a prospectus, for the purposes of financing, by means of the acquisition of common shares with full voting rights, issued to the issuer by a qualified corporation the corporate name of which is disclosed in the final prospectus or the application for exemption from filing a prospectus, expenditures in respect of scientific research and experimental development carried on in Québec by the qualified corporation or on its behalf and, on the other hand, that the qualified corporation undertakes, firstly, to use the consideration received in respect of the shares it has issued to the issuer for the purposes of making expenditures in respect of scientific research and experimental development carried on in Québec in the period beginning on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and ending on a date to be stipulated by the issuer in the final prospectus or the application for exemption from filing a prospectus and, secondly, to renounce, in accordance with section 726.4.27, in respect of the share issued by the issuer, in prescribed form, all or part of the amount the corporation will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of the expenditures so made, to the extent that such expenditures do not exceed the consideration received in respect of the share by the issuer;”;

(4) by inserting, after subparagraph *c* of the first paragraph, the following subparagraphs:

“(c.1) “common share with full voting rights” means a share described in paragraph *b.1* of section 965.1;



“(c.2) “interest share” in a qualified investment means a share of the capital stock of a designated company, if the share has been used to determine the interest of a person in the qualified investment, within the meaning of paragraph *c* of section 965.29;

“(c.3) “net shareholders’ equity” means the net shareholders’ equity of a corporation as determined under Title VI.1 of Book VII;

“(c.4) “qualified corporation” means a corporation which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to a public share issue made by a research and development venture capital corporation, meets the following requirements:

i. it carries on its activities mainly in Québec;

ii. throughout the twelve-month period prior to that date, it or, as the case may be, the particular corporation whereof it is a controlled subsidiary, or another controlled subsidiary of the particular corporation had not less than five full-time employees who were not insiders within the meaning of section 89 of the Securities Act (R.S.Q., chapter V-1.1) or persons to whom they are related;

iii. its assets are under \$250 000 000;”;

(5) by replacing subparagraph iii of subparagraph *d* of the first paragraph by the following subparagraph:

“iii. a corporation referred to in section 12 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), where the issuer is a designated company or in the case of a qualified investment made after 16 May 1989 by a designated company;”;

(6) by replacing subparagraph ii of subparagraph *e* of the first paragraph by the following subparagraph:

“ii. a corporation that is a designated company at the time a share of the share issue is subscribed, or that will be a designated company at the time it makes a qualified investment out of the proceeds of the share issue;”;

(7) by adding, after subparagraph ii of subparagraph *e* of the first paragraph, the following subparagraph:

“iii. a research and development venture capital corporation within the meaning of subparagraph *i.2*;”;

(8) by inserting, after subparagraph *g* of the first paragraph, the following subparagraph:

“(g.1) “divided interest” of an interest share in a qualified investment made in a designated corporation means the quotient obtained by dividing the amount of the consideration received in respect of the qualified investment regarding which the designated corporation has undertaken, in the agreement under which the qualified investment is made, to make expenditures in respect of scientific research and experimental development by the total number of interest shares in the qualified investment;”;

(9) by inserting, after subparagraph *i* of the first paragraph, the following subparagraphs:

“(i.1) “total income” means the total income of an individual as defined in paragraph *j* of section 965.1;

“(i.2) “research and development venture capital corporation” means a corporation which makes a public share issue after 16 May 1989 and which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the share issue, meets the following requirements:

i. it fulfils the requirements of paragraphs *a* and *c* of section 965.10;

ii. its assets are under \$50 000 000 or its net shareholders' equity does not exceed \$20 000 000;

iii. its activities as a whole consist almost exclusively in investing funds in other corporations to finance expenditures in respect of scientific research and experimental development carried on in Québec by those corporations or on their behalf;

iv. the value of the investments mentioned in subparagraph iii, as shown in its financial statements submitted to the shareholders for its last taxation year ended before that date, consists almost exclusively of investments in one or several qualified corporations;

v. it takes part in the administration of each corporation contemplated in subparagraph iv in which it holds common shares with full voting rights of the capital stock;

vi. it attests to the Minister, in prescribed form, that it undertakes to fulfil the requirements of subparagraphs i to v throughout the period commencing on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and ending either on the day the amount of the aggregate of expenditures made, from the date of the receipt for the final prospectus or of the

exemption from filing a prospectus, by a qualified corporation contemplated in subparagraph iv of subparagraph c or, where there is more than one qualified corporation contemplated in that subparagraph iv, by all the qualified corporations in respect of scientific research and experimental development carried on in Québec, is equal to the consideration received or the aggregate of considerations received, as the case may be, from the corporation by the qualified corporation or all the qualified corporations, as the case may be, following the share issue, for the purposes of making such expenditures, or on the day the period referred to in subparagraph iv of subparagraph c ends in respect of the share issue, whichever occurs first;

“(i.3) “designated company” means a Québec business investment company within the meaning of paragraph *f* of section 965.29;”.

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

**28.** (1) The said Act is amended by inserting, after section 726.4.18, the following section:

**“726.4.18.1** The requirements referred to in subparagraph iii of subparagraph *b* of the first paragraph of section 726.4.18 in respect of the share contemplated in that subparagraph iii are as follows:

(a) the share cannot, under the conditions governing its issue, give a right to a dividend which is or will be the subject of an undertaking to the effect that a person other than the issuer guarantees payment of the dividend;

(b) the share is acquired for money consideration as part of a public share issue by a person as first purchaser, other than a dealer within the meaning of paragraph *f* of section 965.1 acting as an intermediary or as firm underwriter;

(c) the share has been subscribed and paid.”

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

**29.** (1) Section 726.4.19 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“726.4.19** For the purposes of subparagraphs i and iv of subparagraph *c* of the first paragraph of section 726.4.18, where a designated corporation or a qualified corporation, as the case may be, undertakes to meet the requirements referred to therein, an

agreement to that effect shall be entered into between the issuer referred to therein and the designated corporation or the qualified corporation, as the case may be, and the agreement shall be described in the final prospectus or the application for exemption from filing a prospectus.”

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

**30.** (1) The said Act is amended by inserting, after section 726.4.19, the following section:

**“726.4.19.1** Where a corporation made, at any particular time in a period, an expenditure in respect of scientific research and experimental development and it may reasonably be considered that the expenditure became, at a time subsequent to that particular time, deductible in computing the income of the corporation under subsection 1 of section 222 or paragraph *a* of section 223, the expenditure is deemed, for the purposes of this title, to have been made by the corporation at that subsequent time and not at that particular time.”

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

**31.** (1) Section 726.4.20 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“726.4.20** Where more than one designated corporation or more than one qualified corporation, as the case may be, is a party to the agreement referred to in section 726.4.19 or in subparagraph ii of subparagraph *c* of the first paragraph of section 726.4.18, for the purpose of determining if the undertakings referred to in subparagraphs i, ii and iv of that subparagraph *c* have been fulfilled, the aggregate of expenditures referred to in those subparagraphs i, ii and iv, made by all the designated corporations or qualified corporations, as the case may be, that are parties to the agreement shall be taken into account.”

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

**32.** (1) The said Act is amended by inserting, after section 726.4.20, the following sections:

**“726.4.20.1** The minimum amount referred to, in respect of the proceeds of a public share issue, in subparagraph iv of subparagraph *c* of the first paragraph of section 726.4.18 is equal to 90 % of the amount by which the proceeds of the public share issue

exceed the aggregate of the reasonable expenditures incurred by the issuer to make the issue.

**“726.4.20.2** For the purposes of the application of subparagraph ii of subparagraph c.4 of the first paragraph of section 726.4.18 to a corporation referred to therein, where the corporation results from an amalgamation within the meaning of section 544 and the period between the time of the amalgamation and the date of the receipt for the final prospectus or the exemption from filing a prospectus referred to in that subparagraph is not 12 months or over, the requirement set forth in the said subparagraph ii is replaced by the requirement to have had, throughout the period from the time of the amalgamation to the date of the receipt for the final prospectus or the exemption from filing a prospectus, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (R.S.Q., chapter V-1.1), or persons to whom they are related if, immediately before the time of the amalgamation, one of the predecessor corporations had, throughout the twelve months preceding the time of the amalgamation, at least five full-time employees who are not insiders within the meaning of section 89 of the said Act or persons to whom they are related.

**“726.4.20.3** A research and development venture capital corporation shall, in respect of a public share issue referred to in subparagraph vi of subparagraph i.2 of the first paragraph of section 726.4.18, meet the requirements of subparagraphs i to v of that subparagraph throughout the period referred to in that subparagraph vi in respect of that issue.

**“726.4.20.4** For the purposes of subparagraph vi of subparagraph i.2 of the first paragraph of section 726.4.18 and section 726.4.20.3 at a particular time in the period referred to in that subparagraph vi, the requirement set forth in subparagraph iv of subparagraph i.2 of the first paragraph of section 726.4.18 shall, where it refers to the financial statements submitted to the shareholders for the last taxation year of the corporation ended before that date, be interpreted as a requirement in respect of the financial statements submitted to the shareholders in respect of the last taxation year of the corporation ended before the particular time.

**“726.4.20.5** For the purposes of subparagraph iv of subparagraph i.2 of the first paragraph of section 726.4.18,

(a) in the case of a corporation which is in its first fiscal period, except in the case described in paragraph c, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or

of the exemption from filing a prospectus shall be replaced by a reference to its financial statements at the beginning of its first fiscal period;

(b) in the case of a corporation which, within the 365 days preceding the date of the receipt for the final prospectus or the exemption from filing a prospectus, altered its regular fiscal period and certified otherwise than pursuant to an amalgamation within the meaning of section 544, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or the exemption from filing a prospectus shall be replaced by a reference to its financial statements submitted to the shareholders for each of the taxation years ended within the 365 days preceding the date of the receipt for the final prospectus or the exemption from filing a prospectus;

(c) in the case of a corporation which, within the 365 days preceding the date of the receipt for the final prospectus or the exemption from filing a prospectus, resulted from an amalgamation within the meaning of section 544, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or the exemption from filing a prospectus shall be replaced by a reference to its financial statements submitted to the shareholders at the beginning of its first fiscal period, where the corporation is in its first fiscal period, or for each of the taxation years ended from the time of the amalgamation, in other cases, and to the financial statements submitted to the shareholders of a predecessor corporation which, immediately before the time of the amalgamation, met the requirement of subparagraph iv of subparagraph i.2 of the first paragraph of section 726.4.18, for each of its taxation years ended within the 365 days preceding the time of the amalgamation.

## “CHAPTER I.1

### “ADJUSTED EXPENDITURES

**“726.4.20.6** Where a person has given consideration to an issuer for the issue of a research and development share of the issuer which is referred to in subparagraph iv of subparagraph c of the first paragraph of section 726.4.18 and a qualified corporation referred to therein made expenditures in respect of scientific research and experimental development carried on in Québec in accordance with its undertaking referred to in that subparagraph iv during the period referred to therein in respect of those expenditures, the qualified corporation is deemed to have made, in respect of the share, adjusted expenditures in an amount equal to that obtained by multiplying the

amount obtained by multiplying by the proportion determined in section 726.4.20.7, in respect of the qualified corporation, the aggregate of the qualified expenditures, within the meaning of section 1029.8.9.1, so made by it in that period, by the proportion determined in section 726.4.30, in respect of the issue in which the share was issued.

Notwithstanding the first paragraph, the amount of the adjusted expenditures which the qualified corporation is deemed to have made, in respect of the share, by virtue of the first paragraph, must in no case exceed the part, which may reasonably be considered to have been received by the qualified corporation, of the consideration received for the share by the issuer multiplied by the proportion determined in section 726.4.20.7, in respect of the share.

For the purposes of the first paragraph, the amount of a qualified expenditure referred to therein shall be reduced, as the case may be, by the amount of any government assistance, non-government assistance or contract payment, within the meaning of paragraphs *a*, *b* and *c* of section 1029.8.17, respectively, applicable to the qualified expenditure, which the qualified corporation referred to in the first paragraph has received, is entitled to receive or may reasonably be expected to receive at the time of filing its fiscal return for its taxation year in which the qualified expenditure was made.

**“726.4.20.7** The proportion referred to lastly in the first paragraph of section 726.4.20.6, and referred to in the second paragraph of that section, in respect of a qualified corporation, is, in relation to an issue of research and development shares referred to in subparagraph iv of subparagraph *c* of the first paragraph of section 726.4.18, the proportion that the total proceeds of the share issue are of the aggregate of all amounts each of which is a part of such proceeds which is receivable or has been received by a qualified corporation whose common shares with full voting rights were issued to the issuer as part of that issue.”

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

**33.** (1) Section 726.4.21 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

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

**“726.4.21** Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph i of subparagraph *c* of the first paragraph of section 726.4.18 and the issuer made expenditures in respect of

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

(2) by replacing the word “lesser” in the fourth line of what precedes subparagraph *a* of the second paragraph by the word “least” and by striking out the word “and” at the end of the said subparagraph *a*;

(3) by replacing the period at the end of subparagraph *b* of the second paragraph by the word “; and”;

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

“(c) where the share is issued as part of a public share issue in respect of which the receipt for the final prospectus or the prospectus exemption was granted after 16 May 1989, the amount by which the amount obtained by multiplying the amount stipulated in the final prospectus or the application for exemption from filing a prospectus as the amount of expenditures the issuer has undertaken to make in respect of scientific research and experimental development by the proportion determined in section 726.4.30 in respect of that issue, exceeds the aggregate of the expenditures in respect of which it has renounced an amount, in respect of the share, under this section or section 726.4.23 or 726.4.25 on or before the day on which the renunciation is made.”

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

**34.** (1) Section 726.4.22 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989 and replaced by section 76 of chapter (*insert here the chapter number of Bill 31*) of the statutes of 1989, is amended

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



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

(2) by replacing the word “lesser” in the fourth line of what precedes subparagraph *a* of the second paragraph by the word “least” and by striking out the word “and” at the end of the said subparagraph *a*;

(3) by replacing subparagraphs ii to iv of subparagraph *b* of the second paragraph by the following subparagraphs:

“ii. the consideration received for the share by the issuer, in the case of a share issued by a company referred to in section 4 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) at the time the share is issued;

“iii. 125 % of the consideration received by the issuer, in the case of a share issued by a company referred to in section 4.1 or 4.2 of the Act respecting Québec business investment companies at the time the share is issued;

“iv. 150 % of the consideration received by the issuer, in the case of a share issued by a company referred to in section 4.3 of the Act respecting Québec business investment companies at the time the share is issued; and”;

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

“(c) where the share 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 after 16 May 1989, the amount by which the amount obtained by multiplying the amount stipulated in the final prospectus or the application for exemption from filing a prospectus as the amount of expenditures the designated corporation has undertaken to make in respect of scientific research and experimental development by the proportion determined in section 726.4.30 in respect of that issue, exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.24 or 726.4.26 on or before the day on which the renunciation is made.”

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

**35.** (1) The said Act is amended by inserting, after section 726.4.22, the following sections:

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

Notwithstanding the first paragraph, the amount of the expenditures in respect of which the designated corporation may renounce an amount, in respect of a share, under the first paragraph, must in no case exceed the lesser of

(a) the amount by which the divided interest of the share in the qualified investment exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.24.1 or

726.4.26.1 on or before the day on which the renunciation is made; and

(b) the amount by which 200 % of the divided interest of the share in the qualified investment exceeds the aggregate of all expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.24.1 or 726.4.26.1 on or before the day on which the renunciation is made and

i. the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) made by a designated company referred to in section 4 of the said Act;

ii. 125 % of the divided interest of the share in the qualified investment in the case of either a qualified investment referred to in section 12.2 of the said Act made by a designated company referred to in section 4.1 of the said Act or a qualified investment referred to in section 12.3 of the said Act made by a designated company referred to in section 4 of the said Act;

iii. 150 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.3 of the said Act made by a designated company referred to in section 4.1 of the said Act.

The proportion referred to in the first paragraph, in respect of a qualified investment, is the proportion that 1 is of the total number of interest shares in the qualified investment.

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

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

Notwithstanding the first paragraph, the amount of the expenditures in respect of which the qualified corporation may renounce an amount, in respect of a share, under the first paragraph, must in no case exceed the amount by which the part, which may reasonably be considered to have been received by the qualified corporation, of the consideration received for the share by the issuer, exceeds the aggregate of the expenditures in respect of which the qualified corporation has renounced an amount, in respect of the share, under this section or section 726.4.24.2 or 726.4.26.2 on or before the day on which the renunciation is made.”

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

**36.** (1) Section 726.4.23 of the said Act, enacted by section 86 of the statutes of 1989, is amended

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

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

(2) by replacing the word “lesser” in the fourth line of what precedes subparagraph *a* of the second paragraph by the word “least” and by striking out the word “and” at the end of the said subparagraph *a*;

(3) by replacing the period at the end of subparagraph *b* of the second paragraph by the word “; and”;

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

“(c) where the share 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 after 16 May 1989, the amount by which the amount obtained by multiplying the amount stipulated in the final prospectus or the application for exemption from filing a prospectus as the amount of expenditures the issuer has undertaken to make in respect of scientific research and experimental development by the proportion determined in section 726.4.30 in respect of that issue, exceeds the aggregate of the expenditures in respect of which he has renounced an amount, in respect of the share, under this section or section 726.4.21 or 726.4.25 on or before the day on which the renunciation is made.”

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

**37.** (1) Section 726.4.24 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989 and replaced by section 77 of chapter (*insert here the chapter number of Bill 31*) of the statutes of 1989, is amended

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

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

(2) by replacing the word “lesser” in the fourth line of what precedes subparagraph *a* of the second paragraph by the word “least”

and by striking out the word “and” at the end of the said subparagraph *a*;

(3) by replacing subparagraphs ii to iv of subparagraph *b* of the second paragraph by the following subparagraphs:

“ii. the consideration received for the share by the issuer, in the case of a share issued by a company referred to in section 4 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) at the time the share is issued;

“iii. 125 % of the consideration received by the issuer, in the case of a share issued by a company referred to in section 4.1 or 4.2 of the Act respecting Québec business investment companies at the time the share is issued;

“iv. 150 % of the consideration received by the issuer, in the case of a share issued by a company referred to in section 4.3 of the Act respecting Québec business investment companies at the time the share is issued; and”;

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

“(c) where the share 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 after 16 May 1989, the amount by which the amount obtained by multiplying the amount stipulated in the final prospectus or the application for exemption from filing a prospectus as the amount of expenditures the designated corporation has undertaken to make in respect of scientific research and experimental development by the proportion determined in section 726.4.30 in respect of that issue, exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22 or 726.4.26 on or before the day on which the renunciation is made.”

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

**38.** (1) The said Act is amended by inserting, after section 726.4.24, the following sections:

**“726.4.24.1** Where a designated company has made a qualified investment in a designated corporation pursuant to an agreement referred to in subparagraph iii of subparagraph *c* of the first paragraph of section 726.4.18 and the designated corporation made, in

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

Notwithstanding the first paragraph, the amount of the expenditures in respect of which the designated corporation may renounce an amount, in respect of a share, under the first paragraph, must in no case exceed the lesser of

(a) the amount by which the divided interest of the share in the qualified investment exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22.1 or 726.4.26.1 on or before the day on which the renunciation is made; and

(b) the amount by which 200 % of the divided interest of the share in the qualified investment exceeds the aggregate of all expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22.1 or 726.4.26.1 on or before the day on which the renunciation is made and

i. the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) made by a designated company referred to in section 4 of the said Act;

ii. 125 % of the divided interest of the share in the qualified investment in the case of either a qualified investment referred to in section 12.2 of the said Act made by a designated company referred to in section 4.1 of the said Act or a qualified investment referred to

in section 12.3 of the said Act made by a designated company referred to in section 4 of the said Act;

iii. 150 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.3 of the said Act made by a designated company referred to in section 4.1 of the said Act.

The proportion referred to in the first paragraph, in respect of a qualified investment, is the proportion that 1 is of the total number of interest shares in the qualified investment.

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

Notwithstanding the first paragraph, the amount of the expenditures in respect of which the qualified corporation may renounce an amount, in respect of a share, under the first paragraph, must in no case exceed the amount by which the part, which may reasonably be considered to have been received by the qualified corporation, of the consideration received for the share by the issuer, exceeds the aggregate of the expenditures in respect of which the qualified corporation has renounced an amount, in respect of the share, under this section or section 726.4.22.2 or 726.4.26.2 on or before the day on which the renunciation is made.”

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

**39.** (1) Section 726.4.25 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

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



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

(2) by replacing the word “lesser” in the fourth line of what precedes subparagraph *a* of the second paragraph by the word “least” and by striking out the word “and” at the end of the said subparagraph *a*;

(3) by replacing the period at the end of subparagraph *b* of the second paragraph by the word “; and”;

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

“(c) where the share 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 after 16 May 1989, the amount by which the amount obtained by multiplying the amount stipulated in the final prospectus or the application for exemption from filing a prospectus as the amount of expenditures the issuer has undertaken to make in respect of scientific research and experimental development by the proportion determined in section 726.4.30 in respect of that issue, exceeds the aggregate of the expenditures in respect of which he has renounced an amount, in respect of the share, under this section or section 726.4.21 or 726.4.23 on or before the day on which the renunciation is made.”

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

**40.** (1) Section 726.4.26 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989 and replaced by section 78 of

chapter (*insert here the chapter number of Bill 31*) of the statutes of 1989, is amended

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

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

(2) by replacing the word “lesser” in the fourth line of what precedes subparagraph a of the second paragraph by the word “least” and by striking out the word “and” at the end of the said subparagraph a;

(3) by replacing subparagraphs ii to iv of subparagraph b of the second paragraph by the following subparagraphs:

“ii. the consideration received for the share by the issuer, in the case of a share issued by a company referred to in section 4 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) at the time the share is issued;

“iii. 125 % of the consideration received by the issuer, in the case of a share issued by a company referred to in section 4.1 or 4.2 of the Act respecting Québec business investment companies at the time the share is issued;

“iv. 150 % of the consideration received by the issuer, in the case of a share issued by a company referred to in section 4.3 of the Act respecting Québec business investment companies at the time the share is issued; and”;

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

“(c) where the share is issued as part of a public share issue in respect of which the receipt for the final prospectus or the prospectus exemption was granted after 16 May 1989, the amount by which the amount obtained by multiplying the amount stipulated in the final prospectus or the application for exemption from filing a prospectus as the amount of expenditures the designated corporation has undertaken to make in respect of scientific research and experimental development by the proportion determined in section 726.4.30 in respect of that issue, exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22 or 726.4.24 on or before the day on which the renunciation is made.”

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

**41.** (1) The said Act is amended by inserting, after section 726.4.26, the following sections:

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

Notwithstanding the first paragraph, the amount of the expenditures in respect of which the designated corporation may renounce an amount, in respect of a share, under the first paragraph, must in no case exceed the lesser of

(a) the amount by which the divided interest of the share in the qualified investment exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22.1 or 726.4.24.1 on or before the day on which the renunciation is made; and

(b) the amount by which 200% of the divided interest of the share in the qualified investment exceeds the aggregate of all expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22.1 or 726.4.24.1 on or before the day on which the renunciation is made and

i. the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) made by a designated company referred to in section 4 of the said Act;

ii. 125 % of the divided interest of the share in the qualified investment in the case of either a qualified investment referred to in section 12.2 of the said Act made by a designated company referred to in section 4.1 of the said Act or a qualified investment referred to in section 12.3 of the said Act made by a designated company referred to in section 4 of the said Act;

iii. 150 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.3 of the said Act made by a designated company referred to in section 4.1 of the said Act.

The proportion referred to in the first paragraph, in respect of a qualified investment, is the proportion that 1 is of the total number of interest shares in the qualified investment.

**“726.4.26.2** Where a person has given consideration to an issuer for the issue of a research and development share of the issuer referred to in subparagraph iv of subparagraph c of the first paragraph of section 726.4.18 and the qualified corporation referred to therein made expenditures in respect of scientific research and experimental development in accordance with its undertaking referred to in the said subparagraph iv during the period referred to therein in respect of those expenditures, the qualified corporation may, in accordance with section 726.4.27, renounce, in respect of the share, that amount obtained by multiplying by the proportion determined in section

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

Notwithstanding the first paragraph, the amount of the expenditures in respect of which the qualified corporation may renounce an amount, in respect of the share, under the first paragraph, must in no case exceed the amount by which the part, which may reasonably be considered to have been received by the qualified corporation, of the consideration received for the share by the issuer, exceeds the aggregate of the expenditures in respect of which the qualified corporation has renounced an amount, in respect of the share, under this section or section 726.4.22.2 or 726.4.24.2 on or before the day on which the renunciation is made.”

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

**42.** (1) Section 726.4.27 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

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

**“726.4.27** Any renunciation made by a corporation, under sections 726.4.21 to 726.4.26.2, of an amount it is deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 as partial payment of its tax payable under this Part for a taxation year in respect of expenditures made in that taxation year and during the period referred to in any of subparagraphs *i* to *iv*, as the case may be, of subparagraph *c* of the first paragraph of section 726.4.18, is valid,

(*a*) where the end of the taxation year of the corporation coincides with the end of the calendar year, only if it is made in prescribed form on the last day of that taxation year or within 30 days following the end of that year, in respect of all or part of the amounts which it is deemed to have so paid under section 1029.7, 1029.8.6 or 1029.8.10 for that taxation year, where the whole taxation year is included in the period referred to in any of subparagraphs *i* to *iv*, as the case may be, of subparagraph *c* of the first paragraph of section 726.4.18, or which it would be deemed to have so paid for that taxation year under section 1029.7, 1029.8.6 or 1029.8.10, if those sections applied only to the part of the period referred to in those subparagraphs which is included in that taxation year, where that

period begins after the beginning of that taxation year or ends before the end of that year;”;

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

“ i. only if it is made in prescribed form on the last day of the taxation year or within 30 days following the end of that year, in respect of all or part of the amounts it would be deemed to have so paid, under section 1029.7, 1029.8.6 or 1029.8.10, for that taxation year, if those sections applied only either to that part of that taxation year included in the calendar year in which that taxation year ends, where the whole of that part is included in the period referred to in any of subparagraphs i to iv, as the case may be, of subparagraph *c* of the first paragraph of section 726.4.18, or to the part of that period which is included in the calendar year in which that taxation year ends, where that period begins after the beginning of the calendar year or ends before the end of that taxation year; or

“ ii. only if it is made in prescribed form on the last day of the calendar year or within 30 days following the end of that year, in respect of all or part of the amounts it would be deemed to have so paid, under section 1029.7, 1029.8.6 or 1029.8.10, for its taxation year beginning in the calendar year, if those sections applied only either to that part of that taxation year included in the calendar year in which that taxation year began, where the whole of that part is included in the period referred to in any of subparagraphs i to iv, as the case may be, of subparagraph *c* of the first paragraph of section 726.4.18, or to the part of that period which is included in the calendar year in which that taxation year began, where that period begins after the beginning of that taxation year or ends before the end of that calendar year.”

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

**43.** (1) Section 726.4.29 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

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

**“726.4.29** Where a corporation renounces, under sections 726.4.21 to 726.4.26.2, in accordance with section 726.4.27, an amount in respect of a particular share, the following rules apply:

(a) the corporation shall renounce, in accordance with section 726.4.27, in respect of each other share issued as part of the same share issue as the particular share or, where the particular share is an interest share, in respect of each other interest share in the

qualified investment in which the particular share is an interest share, an amount equal to the amount it has so renounced in respect of the particular share;”;

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

“(c) where the corporation has reduced, in accordance with the second paragraph of section 1029.7, 1029.8.6 or 1029.8.10, a monthly payment it was bound to make under section 1027 or under section 1145 where it refers to section 1027, for a taxation year, the amount, called “the reduction” in this paragraph, which has thus reduced the monthly payment is deemed, for the purposes of computing the interest payable pursuant to sections 1037 to 1040 or pursuant to section 1145 where it refers to sections 1037 to 1040, not to have so reduced it but to have reduced each of the monthly payments the corporation was bound to make for the taxation year, by an amount equal to the proportion of the reduction that 1 is of the number of payments the corporation was bound to make under section 1027 or under section 1145 where it refers to section 1027 for the taxation year.”

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

**44.** (1) Section 726.4.30 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“726.4.30** The proportion referred to firstly in the first paragraph of section 726.4.20.6 and referred to in the first paragraph of sections 726.4.21, 726.4.22, 726.4.22.2, 726.4.23, 726.4.24, 726.4.24.2, 726.4.25, 726.4.26 and 726.4.26.2 and in subparagraph c of the second paragraph of sections 726.4.21, 726.4.22, 726.4.23, 726.4.24, 726.4.25 and 726.4.26 is, with reference to an issue of research and development shares, the proportion that the consideration received by the issuer for a single share included in the issue is of the total consideration received for all the shares included in the issue.”

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

**45.** (1) The heading of Chapter III of Title VI.3.3 of Book IV of Part I of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is replaced by the following heading:

## “DEDUCTIONS”.

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

**46.** (1) The said Act is amended by inserting, before section 726.4.31, the following:

### “DIVISION I

#### “BASIC DEDUCTION

**“726.4.30.1** An individual, other than a trust, may deduct, in computing his taxable income for a taxation year, an amount not exceeding the lesser of

(a) his research and development share base at the end of the year, computed before any deduction for the year under this section; and

(b) 30 % of his total income for the year.

**“726.4.30.2** For the purposes of section 726.4.30.1, the research and development share base of an individual, other than a trust, at any time, means an amount equal to the amount by which the aggregate of all amounts each of which is an amount of an adjusted expenditure that a qualified corporation is deemed to have made on or before that time, under section 726.4.20.6, in respect of a research and development share issued to the individual, exceeds the aggregate of the amounts deducted by him under section 726.4.30.1 in computing his taxable income for a taxation year ending before that time.

### “DIVISION II

#### “ADDITIONAL DEDUCTION”.

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

**47.** (1) Section 726.4.32 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

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

“(a) 50 % of the expenditures, other than the expenditures referred to in paragraph *g*, in respect of which a corporation renounced on or before that time, under section 726.4.21, 726.4.22, 726.4.22.1 or 726.4.22.2, in accordance with section 726.4.27, an amount in



respect of a research and development share issued to the individual or owned by him at the time the qualified investment to which the expenditures relate was made, as the case may be;”;

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

“(c) 100 % of the expenditures in respect of which a corporation renounced on or before that time under section 726.4.23, 726.4.24, 726.4.24.1 or 726.4.24.2 in accordance with section 726.4.27, an amount in respect of a research and development share issued to the individual or owned by him at the time the qualified investment to which the expenditures relate was made, as the case may be;”;

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

“(e) 100 % of the expenditures in respect of which a corporation renounced on or before that time under section 726.4.25, 726.4.26, 726.4.26.1 or 726.4.26.2 in accordance with section 726.4.27, an amount in respect of a research and development share issued to the individual or owned by him at the time the qualified investment to which the expenditures relate was made, as the case may be;”;

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

“(g) 100 % of the expenditures in respect of which a corporation renounced on or before that time under section 726.4.21, 726.4.22, 726.4.22.1 or 726.4.22.2 in accordance with section 726.4.27, an amount in respect of a research and development share issued to the individual or owned by him at the time the qualified investment to which the expenditures relate was made, as the case may be, to the extent that the expenditures are expenditures in respect of which the corporation would have been deemed, without the renunciation, to have paid an amount under section 1029.7 pursuant to section 1029.7.2;”;

(5) by adding the following paragraph:

“Notwithstanding the first paragraph, where an individual acquires, by succession or will, a research and development share referred to in subparagraph iii of subparagraph *c* of the first paragraph of section 726.4.18, no amount determined under subparagraph *a*, *c*, *e* or *g* of the first paragraph, in respect of the share, may be included in his research and development base before the time the share is allotted or transferred to him.”

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

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

“DIVISION III

“CONDITIONS”.

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

**49.** (1) Section 726.4.33 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“726.4.33** In no case may an individual, other than a trust, include, in computing his research and development share base or his research and development base, as the case may be, either an amount in respect of a research and development share issued to him or, where that is the case, owned by him at the time the qualified investment in which the share is an interest share was made, or his portion of an amount in respect of such a share issued to an investment fund unless

(a) a favourable advance ruling was given by the Ministère du Revenu regarding the share issue to which the research and development share relates, in respect of the fulfilment of the objectives of this title, either before the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the share issue, as the case may be, in the case of a qualifying share referred to in subparagraph i or iii of subparagraph *b* of the first paragraph of section 726.4.18, or before the date on which the issuer makes a qualified investment in the case of a qualifying share referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 726.4.18;

(a.1) in the case of a share referred to in subparagraph iii of subparagraph *c* of the first paragraph of section 726.4.18, a favourable advance ruling was given by the Ministère du Revenu, in respect of the fulfilment of the objectives of this title, regarding the agreement pursuant to which the qualified investment in which the research and development share is an interest share was made, before the date on which the qualified investment was made;

(b) a certificate issued by an independent auditor attests that where a corporation is deemed to have made adjusted expenditures under section 726.4.20.6 in respect of the share or has renounced an amount in respect of the share under sections 726.4.21 to 726.4.26.2,

the expenditures in respect of scientific research and experimental development referred to in those sections have been made; and

(c) the certificate referred to in paragraph *b* has been filed with the Minister by the corporation

i. on or before the day on or before which it must file the form referred to in section 726.4.34, in the case of expenditures in respect of which the corporation has renounced an amount in respect of the share;

ii. on or before the day on or before which it must send to the issuer of the share the information provided for in section 726.4.34.1, in the case of adjusted expenditures the corporation is deemed to have made in respect of the share under section 726.4.20.6.”

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

**50.** (1) Section 726.4.34 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

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

**“726.4.34** Where a corporation renounces an amount in respect of a share under sections 726.4.21 to 726.4.26.2, it shall file with the Minister a prescribed form in respect of the renunciation on or before the fifteenth day of the month following that in which the renunciation is made.”;

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

“Where the corporation referred to in the first paragraph is a corporation referred to in either subparagraph i or ii of subparagraph *d* of the first paragraph of section 726.4.18, it shall also send the prescribed form referred to in the first paragraph, within the time referred to therein, to the issuer of the share in respect of which it renounces an amount.”

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

**51.** (1) The said Act is amended by inserting, after section 726.4.34, the following section:

**“726.4.34.1** Where a qualified corporation is deemed to have made, in a particular year, adjusted expenditures in respect of a share under section 726.4.20.6, it shall inform the issuer of the share, on or before 31 January of the year following the particular year, of the

amount of the expenditures in respect of which it is deemed to have so made adjusted expenditures.”

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

**52.** (1) Section 726.4.36 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

**“726.4.36** Where a corporation has renounced, in respect of a share, any amount under sections 726.4.21 to 726.4.26.2, sections 38 to 40.1 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with such modifications as the circumstances require and without restricting their generality, for the purpose of permitting the Minister to verify or ascertain”.

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

**53.** (1) Section 726.4.37 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

**“726.4.37** Where the aggregate of all amounts that a corporation purported to renounce, in respect of one or several research and development shares under one of sections 726.4.21 to 726.4.26.2 in respect of expenditures made by it in any period ending on the date on which the renunciation is made exceeds the aggregate of all amounts it may renounce under that section in respect of such shares, in accordance with section 726.4.27, the corporation shall”.

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

**54.** (1) Section 726.4.43 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended by replacing paragraphs *a* and *b* by the following paragraphs:

**“(a)** “university research contract” means a contract that a partnership, carrying on a business in Canada or a prescribed linkage agency commissioned by such a partnership enters into between 30 April 1987 and 1 January 1994 with an eligible university entity, whereunder the latter binds itself to make in Québec, before 1 January 1996, on behalf of the partnership, expenditures in respect of scientific research and experimental development directly undertaken by the entity, related to a business of the partnership or of the other partnership or the taxpayer contemplated in the third paragraph of section 726.4.50 to which the partnership is related, where the latter are entitled to exploit the results thereof;

“(b) “eligible university entity” means a Québec university , a prescribed university hospital medical research centre or any other prescribed body;”.

(2) This section, where it replaces paragraph *b* of section 726.4.43 of the Taxation Act, applies from the taxation year 1988.

**55.** Section 726.4.45 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended by replacing the part of paragraph *b* which precedes subparagraph *i* by the following:

“(b) include only, subject to paragraph *c*, the following expenditures made before 1 January 1996:”.

**56.** (1) Section 726.4.52 of the said Act, enacted by section 86 of chapter 5 of the statutes of 1989, is amended

(1) by striking out the second paragraph;

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

“Notwithstanding the third paragraph, where an amount was paid, pursuant to a university research contract entered into before 15 August 1989, to a prescribed university hospital medical research centre referred to in paragraph *b* of section 726.4.43 before a favourable advance ruling was given by the Ministère du Revenu with regard to the contract, the amount so paid is deemed, solely for the purposes of the first paragraph, to have been paid after a favourable advance ruling was given by the Ministère du Revenu with regard to the contract where

(a) an application for an advance ruling with regard to the contract was filed with the Ministère du Revenu on or before 31 December 1989;

(b) the Ministère du Revenu has given a favourable ruling with regard to the contract.”

(2) Paragraph 2 of subsection 1 applies in respect of an amount or share of an amount which an individual may deduct under section 726.4.48, 726.4.49 or 726.4.50 of the Taxation Act, where the amount or share of an amount, as the case may be, is related to a university research contract entered into after 18 December 1987 and before 15 August 1989. However, where the fourth paragraph of section 726.4.52 of the Taxation Act, enacted by this section, applies in respect of such an amount or share of an amount which is related to

a university research contract entered into before 13 May 1988, the said paragraph shall be read as though the reference to paragraph *b* of section 726.4.43 were replaced by a reference to paragraph *d* of that section.

**57.** (1) Section 737.15 of the said Act is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) immediately before entering into his contract of employment or immediately before taking up his duties as an employee of the particular corporation, he is not resident in Canada or, if he is then resident in Canada, he took up residence in Canada for the purpose of establishing an international financial centre in Canada, worked, from the time he so took up residence in Canada, almost exclusively for the establishment of the centre and, within 12 months after he so took up residence in Canada, took up his duties as an employee of the particular corporation operating the international financial centre he established;”.

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

**58.** (1) Section 737.19 of the said Act, enacted by section 58 of chapter 4 of the statutes of 1988 and amended by section 98 of chapter 5 of the statutes of 1989, is again amended

(1) by replacing that part of paragraph *a* which precedes subparagraph ii by the following:

“(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 1994 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 is not resident in Canada immediately before entering into the employment contract or immediately before assuming his duties as an employee of the eligible employer;”;

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

“(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 1996;”.

(2) This section, where it replaces subparagraph i of paragraph a of section 737.19 of the Taxation Act, applies in respect of an employment contract entered into after 16 May 1989 by a foreign researcher who assumes his duties pursuant to the contract after that date.

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

#### “TITLE VII.4

##### “DEDUCTION IN RESPECT OF THE FONDS DE SOLIDARITÉ DES TRAVAILLEURS DU QUÉBEC (F.T.Q.)

**“737.23** 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) may deduct, in computing its taxable income for a taxation year ending after 16 May 1989, an amount not exceeding its taxable income for that year computed without reference to this section.

Notwithstanding the foregoing, if the taxation year includes 16 May 1989, the amount the corporation may so deduct must not exceed the proportion of its taxable income for the year computed without reference to this section that the number of days in the year which follow 16 May 1989 is of the number of days in the year.”

**60.** (1) Section 752.0.1 of the said Act, enacted by section 104 of chapter 5 of the statutes of 1989, is amended

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

“(b) \$2 330 for a person”;

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

“(c) \$2 015 for each person described in paragraph *b* in respect of whom the individual does not make any deduction under the said paragraph *b*;”;

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

“(d) for each person described in paragraph *b*, \$1 475 in respect of each completed term, without exceeding two, which began in the year and during which the person was in full-time attendance at an educational institution contemplated in subparagraph *i* or *iv* of paragraph *a* of section 337 or in paragraph *b* or *c* of the said section, where he was enrolled in a prescribed post-secondary educational program and was not a prescribed tax-exempt person;”;

(4) by replacing that part of paragraph *e* which precedes subparagraph *i* by the following:

“(e) \$1 165 for a person in respect of whom the individual is entitled to a deduction under paragraph *b*, if he is not entitled to the deduction contemplated in paragraph *a* and, during the year,”;

(5) by replacing that part of paragraph *f* which precedes subparagraph *i* by the following:

“(f) \$2 015 for each person”;

(6) by replacing paragraph *h* by the following paragraph:

“(h) \$940, if the individual is not entitled to the deduction contemplated in paragraph *a* and ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by him and in which no person other than the individual or a person described in paragraph *b* lives during the year;”.

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

**61.** (1) The said Act is amended by inserting, after section 752.0.13, the following sections:

**“752.0.13.1** An individual may deduct from his tax otherwise payable for a taxation year under this Part 20 % of the amount of the reasonable travel and lodging expenses paid in the year by either the individual or his legal representatives, in respect of a particular person referred to in section 752.0.13.2, so that the particular person may obtain in Québec medical care not available in Québec within 250 kilometres of the locality where he lives, or in respect of such a particular person and the person accompanying him so that the particular person may obtain such medical care where, in the latter case, the particular person is under 18 years of age in the year or is unable to travel unassisted if, in either case, the individual files with the Minister the prescribed form whereon a physician certifies that



care equivalent or virtually equivalent to that obtained is not available in Québec within 250 kilometres of the locality where the particular person lives and, where such is the case, that the particular person is unable to travel unassisted.

**“752.0.13.2** The particular person referred to in section 752.0.13.1 is the individual, his spouse or any person dependent upon him in respect of whom he is entitled to a deduction under section 752.0.1 in computing his tax payable under this Part for the taxation year in which the expenses were incurred.

**“752.0.13.3** For the purposes of section 752.0.13.1,

(a) any amount included in computing an individual's income for a taxation year from an office or employment in respect of travel and lodging expenses referred to in the said section and paid or furnished by an employer at any particular time is deemed to constitute travel and lodging expenses paid at that particular time by the individual;

(b) the expenses in respect of which the individual has deducted, for the year or for any other taxation year, an amount under any other provision of this Part and the expenses for which the individual or his legal representatives have received a reimbursement or are entitled thereto are not considered travel and lodging expenses paid by the individual in the year except, in the latter case, to the extent that the amount of the expenses is required to be included in computing the individual's income under this Part.”

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

**62.** Section 752.0.20 of the said Act, enacted by section 104 of chapter 5 of the statutes of 1989, is amended by replacing what precedes paragraph *b* by the following:

**“752.0.20** The following amounts must be indexed annually so that each of these amounts to be used for a taxation year subsequent to the taxation year 1990 becomes that obtained by adding to that amount the amount obtained by multiplying, by the prescribed ratio for that year, the amount that would have been applicable for that year but for this section:

(a) the amounts of \$940, \$1 165, \$1 475, \$2 015, \$2 330 and \$5 280 referred to in section 752.0.1;”.

**63.** (1) Section 752.0.21 of the said Act, enacted by section 104 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“752.0.21** Where an amount referred to in paragraphs *a* and *b* of section 752.0.20 is not a multiple of \$5 when indexed in accordance with the said section, it must be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the nearest higher multiple thereof.”

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

**64.** (1) Section 752.0.22 of the said Act, enacted by section 104 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“752.0.22** For the purpose of computing the tax payable under this Part by an individual, the following provisions shall be applied in the following order: sections 752.0.1, 752.0.8, 752.0.9, 752.0.14 to 752.0.16, 752.0.19, 752.0.11 to 752.0.13.1 and 767.”

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

**65.** (1) Section 752.0.24 of the said Act, enacted by section 104 of chapter 5 of the statutes of 1989, is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) the deduction permitted under sections 752.0.11 to 752.0.13.1 that may reasonably be considered wholly applicable to the individual for any period in the year throughout which he is resident in Canada, employed in Canada or carrying on business in Canada; and”.

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

**66.** (1) Section 752.0.25 of the said Act, enacted by section 104 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“752.0.25** Where an individual is contemplated in the second paragraph of section 26, sections 752.0.1 to 752.0.13.1, 752.0.15, 752.0.16 and 752.0.19 do not apply for the purpose of computing his tax payable under this Part for a taxation year. However, where all or substantially all of the individual’s income for the year, as determined under section 28, is included in computing his taxable income earned in Canada for the year, he may deduct, for the purpose of computing his tax payable under this Part for the year, such part of the amounts determined under the said sections as represented by the proportion contemplated in the second paragraph of section 26.”

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

**67.** (1) Section 771 of the said Act, amended by section 115 of chapter 5 of the statutes of 1989, is again amended by replacing that part of paragraph *e* of subsection 1 which precedes subparagraph *i* by the following:

“(e) notwithstanding paragraph *d.1*, in the case of a corporation contemplated in paragraph *b*, for the taxation year for which it is an eligible corporation within the meaning of sections 771.5 to 771.7 to the aggregate of 3.36 % of the portion of its taxable income for the year equal to the amount determined in its respect for the year under section 771.9 and the amount by which 13 % of the remaining portion of its taxable income for the year exceeds the aggregate of”.

(2) This section applies to taxation years ending after 16 May 1989.

**68.** Section 771.0.1 of the said Act, amended by section 116 of chapter 5 of the statutes of 1989, is again amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

“**771.0.1** A corporation shall add to its tax payable under subsection 1 of section 771 for a taxation year ending after 1 May 1986 but before 17 May 1989 an amount equal to”.

**69.** The said Act is amended by inserting, after section 771.0.1, the following section:

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

(a) 12 % of that tax, where it is computed under paragraph *a* or *d.1* of the said subsection;

(b) 12 % of the portion of that tax which is not attributable to the portion of its taxable income for the year equal to the amount determined in respect of the corporation for the year under section 771.9, where that tax is computed under paragraph *e* of the said subsection.

Notwithstanding the foregoing, if the taxation year includes 16 May 1989, the amount to be added under this section is equal to the aggregate of

(a) such proportion of the amount that would be added under the first paragraph of section 771.0.1 if that section applied to that taxation year as the number of days in the year preceding 17 May 1989 is of the number of days in the year; and

(b) such proportion of the amount that would otherwise be added under the first paragraph as the number of days in the year following 16 May 1989 is of the number of days in the year.”

**70.** (1) The said Act is amended by inserting, after section 771.5, the following sections:

**“771.5.1** For the purposes of paragraph *d* of section 771.5, a return that has not been filed by the corporation contemplated therein within the time prescribed therein is deemed to have been filed within that time if it is filed, in prescribed form and along with a payment by the corporation of the penalty described in the second paragraph, not later the day on or before which the corporation is required to file its fiscal return under section 1000 for its third fiscal year.

For the purposes of the first paragraph, the penalty that a corporation is required to pay with respect to the return contemplated therein is equal to the lesser of \$600 and the product obtained by multiplying \$50 by the number of months included, in whole or in part, in the period beginning on the day on which the time prescribed in paragraph *d* of section 771.5 expires and ending on the day on which the return is actually filed.

**“771.5.2** The Minister shall examine with dispatch every return filed with him under section 771.5.1, assess the penalty payable and send a notice of assessment to the corporation, which shall pay forthwith to the Minister the unpaid balance of the penalty.”

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

**71.** (1) Section 776.33 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988 and amended by section 136 of chapter 5 of the statutes of 1989, is again amended by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) \$710 in respect of the individual contemplated therein;

“(b) \$470 in respect of the individual’s spouse during the year;

“(c) \$215 in respect of not more than one dependent person of the individual during the year if the individual has no spouse during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person, other than the individual or his dependent person, lives during the year.”

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

**72.** (1) Section 776.35 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988 and amended by section 138 of chapter 5 of the statutes of 1989, is again amended by replacing paragraphs a to c by the following paragraphs:

“(a) \$7 250 where the individual referred to in section 776.32 has a spouse during the year;

“(b) \$6 280 where the individual has no spouse during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person, other than the individual or his dependent person, lives during the year; or

“(c) \$5 300 in other cases.”

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

**73.** (1) Section 776.36 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988 and amended by section 139 of chapter 5 of the statutes of 1989, is again amended by striking out subparagraphs b and c of the second paragraph.

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

**74.** Section 776.41 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988 and replaced by section 140 of chapter 5 of the statutes of 1989, is amended, in the first paragraph,

(1) by replacing what precedes subparagraph b by the following;

“**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 1990 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 752.0.20 for that year the amount that would have been applicable for that year were it not for this section:

(a) the amounts of \$710, \$470 and \$215 mentioned in section 776.33;”;

(2) by replacing subparagraph c by the following subparagraph:

“(c) the amounts of \$7 250, \$6 280 and \$5 300 mentioned in section 776.35.”

**75.** (1) Section 776.47 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988 and amended by section 145 of chapter

5 of the statutes of 1989, is again amended by replacing subparagraph ii of paragraph *a* by the following subparagraph:

“ii. the aggregate of the amounts deducted by the individual for the year under sections 726.0.1, 726.1, 726.3, 726.4, 726.4.1, 726.4.3 to 726.4.7, 726.4.9, 726.4.17.1, 726.4.30.1, 726.4.31, 726.4.38, 726.4.39, 726.4.40, 726.4.48, 726.4.49 and 726.4.50 and the non-capital losses deducted by him in the year under section 727 to the extent that those losses result from an amount deducted in computing his taxable income under section 726.4.1 or sections 726.4.3 to 726.4.7 in the seven taxation years preceding or the three taxation years following the year;”.

(2) Subparagraph ii of paragraph *a* of section 776.47 of the Taxation Act, enacted by this section, applies, subject to paragraphs *b* to *g* of subsection 2 of section 145 of chapter 5 of the statutes of 1989, from the taxation year 1989.

**76.** (1) Section 779 of the said Act, replaced by section 80 of chapter 4 of the statutes of 1988, is again replaced by the following section:

“**779.** Except for the purposes of Title 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 1988.

**77.** (1) Section 796 of the said Act is replaced by the following section:

“**796.** A taxpayer is not however bound to include in computing his income a patronage dividend respecting property or services, other than a patronage dividend computed in relation to the volume of work carried on by the taxpayer for his cooperative or for a corporation of which his cooperative is a shareholder, the cost of which he may not deduct in computing his income from business or property.”

(2) This section applies to patronage dividends received after 16 May 1989.

**78.** (1) Section 925 of the said Act, amended by section 83 of chapter 18 of the statutes of 1988, is again amended by replacing paragraph *d* of subsection 1 by the following paragraph:

“(d) of deductions allowable in computing his income under sections 60 and 70.”

(2) This section applies from the taxation year 1988. However, where paragraph *d* of subsection 1 of section 925 of the Taxation Act, enacted by this section, applies to the taxation year 1988, the said paragraph *d* shall be read as follows:

“(d) of deductions allowable in computing his income under section 70.”

**79.** (1) The said Act is amended by inserting, after section 944.1, the following section:

**“944.2** Notwithstanding section 944, in no case may a plan be revoked following a payment made to a beneficiary under the plan if

(a) the payment is made between 16 May 1989 and 1 January 1990;

(b) the beneficiary was such on 16 May 1989;

(c) the beneficiary uses the whole payment to buy, before 1 January 1990, furniture, within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1), intended for a residential dwelling-house and delivered to him new before 1 March 1990 for his use in Canada.”

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

**80.** (1) Section 946 of the said Act is replaced by the following section:

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

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

**81.** (1) Section 955 of the said Act is amended

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

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

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

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

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

**82.** (1) Section 960 of the said Act is replaced by the following section:

“**960.** The spouse of a beneficiary under a registered home ownership savings plan who, at the death of the beneficiary and by reason of such death, becomes entitled to receive a single payment out of or under such plan is deemed, for the purposes of section 955, to receive such payment as a beneficiary if it is received within 36 months after the death; in such case, the deceased beneficiary is deemed not to have received any amount in respect of such payment immediately before his death.”

(2) This section applies in respect of a death occurring after 31 December 1984.

**83.** (1) Section 965.1 of the said Act, amended by section 82 of chapter 4 of the statutes of 1988 and by section 159 of chapter 5 of the statutes of 1989, is again amended

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

“(b) “qualifying share” means a share not contemplated in section 965.9.4 or 965.9.7.0.1 meeting the requirements of section 965.7,



965.9, 965.9.1, 965.9.1.0.1, 965.9.1.0.2 or 965.9.1.1 and, adapted as required, a fraction of such a share not reimbursed;”;

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

“(d) “qualified corporation” means a corporation mentioned in section 965.10, 965.11.1, 965.11.5, 965.11.6 or 965.11.7.1 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:

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

(4) by inserting, after paragraph *h.0.1*, the following paragraph:

“(h.0.1.1) “convertible security issue” means the distribution of a convertible security in accordance with a receipt or an exemption from filing a prospectus granted by the Commission des valeurs mobilières du Québec;”;

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

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

“(l) “convertible security” means a debenture or preferred share, other than a qualifying share, that has been acquired for money consideration as part of a convertible security issue or acquired in replacement or substitution for a convertible security and that may be converted by the holder only into a common share with full voting rights or a subordinate voting share.”

(2) This section, where it replaces paragraph *b* of section 965.1 of the Taxation Act, has effect from 17 May 1989. However, where it replaces the said paragraph to add a reference to sections 965.9.1.0.1 and 965.9.1.0.2 of the Taxation Act, it applies to a share acquired as a result of the exercise of a conversion right conferred as part of a convertible security issue in respect of which the receipt for the final prospectus or exemption from filing a prospectus was granted after 16 May 1989.

(3) This section, where it replaces paragraphs *d* and *g* of section 965.1 of the Taxation Act, has effect from 17 May 1989.

(4) This section, where it enacts paragraphs *h.0.1.1* and *l* of section 965.1 of the Taxation Act, applies to an issue of convertible debentures or preferred shares in respect of which the receipt for the final prospectus or an exemption from filing a prospectus was granted after 16 May 1989.

**84.** (1) Section 965.2 of the said Act, amended by section 83 of chapter 4 of the statutes of 1988 and by section 160 of chapter 5 of the statutes of 1989, is again amended by striking out the second paragraph.

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

**85.** (1) Section 965.4.3 of the said Act is replaced by the following section:

**“965.4.3** For the purposes of sections 965.3 to 965.4.2, where any of the computations referred to therein must be made in respect of a corporation described in section 965.4.4 that makes a public share issue or a convertible security issue, the computation is made without taking into account the net shareholders' equity or the assets, as the case may be, of a government or of another corporation mentioned in section 965.4.4 which is no longer associated with it on the date on which the public share issue or the convertible security issue, as the case may be, ends and, in the case of the other corporation, was not directly or indirectly controlled by the issuing corporation at any time in the 12 months preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

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

**86.** (1) Section 965.4.4 of the said Act, amended by section 84 of chapter 4 of the statutes of 1988, is again amended by replacing the first paragraph by the following paragraph:

**“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 or the convertible security issue, as the case may be, ends, no longer associated with that government or that other corporation.”

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

**87.** (1) Section 965.6 of the said Act, amended by section 86 of chapter 4 of the statutes of 1988 and by section 163 of chapter 5 of the statutes of 1989, is again amended by replacing what precedes paragraph *a* by the following:

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

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

**88.** (1) The said Act is amended by inserting, after section 965.6.0.2, the following section:

**“965.6.0.2.0.1** 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, following the exercise of a right of conversion conferred on the holder of a convertible security, shall be computed taking into consideration that the conversion value stated in the final prospectus or in the application for an exemption from filing a prospectus with respect to the convertible security issue represents the cost of such share for the acquirer thereof and that the share is issued as part of a public share issue in respect of which the date of the receipt of the final prospectus or of the exemption from filing a prospectus is in the year of acquisition of the share.”

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

**89.** (1) Section 965.6.0.3 of the said Act, enacted by section 87 of chapter 4 of the statutes of 1988 and amended by section 165 of chapter 5 of the statutes of 1989, is again amended by replacing paragraph *b* by the following paragraph:

“(b) where it is so stipulated in the final prospectus or in the application for an exemption from filing a prospectus relating to its issue, the percentage determined not later than 60 days after the year of its issue and obtained by estimating, as a percentage, the proportion between the ratio of the adjusted cost of the aggregate of all qualifying shares purchased in that year by the investment fund with the proceeds of the issue of the valid qualifying securities issued in the year or acquired in the year by the investment fund, as a result of the

exercise of the conversion right conferred on the holder of a convertible security purchased in the year by the investment fund with the proceeds of the issue 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 has effect from 17 May 1989.

**90.** (1) Section 965.6.1 of the said Act, replaced by section 166 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“965.6.1** An investment group is a group of individuals, other than trusts, formed solely to acquire qualifying shares, valid shares or convertible securities and that files a written declaration with a dealer evidencing its existence and specifying the interest of each of the members in the investment group.”

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

**91.** (1) Section 965.6.10 of the said Act is replaced by the following section:

**“965.6.10** An eligible employee of a corporation which is a subsidiary referred to in section 247 of the Act respecting insurance (R.S.Q., chapter A-32) also means any individual residing in Québec who is in the employ of a mutual life-insurance company or a mutual company of insurance against fire, lightning and wind within the meaning of paragraphs *c* and *e* of section 1 of the Act respecting insurance or a mutual general insurance company incorporated under a special Act of Québec which company owns, directly or indirectly, not less than 90% of the shares of the issued capital stock of the corporation having full voting rights under all circumstances, and who, immediately before the acquisition of the shares of the corporation, holds directly, indirectly or with related persons who are not in the employ of the corporation or of such a company, less than 5% of the shares of the capital stock of the corporation.”

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

**92.** (1) The said Act is amended by inserting, after section 965.6.10, the following section:

**“965.6.10.1** A stock ownership plan may provide that an eligible employee of a corporation also designates any individual residing in Québec who is in the employ of a subsidiary more than 50% of the shares of the issued capital stock of which having full voting

rights under all circumstances are owned directly or indirectly by the corporation, or of a company referred to in section 965.6.10 which owns, directly or indirectly, more than 50% of the shares of the issued capital stock of the corporation having full voting rights under all circumstances and who, immediately before the acquisition of the shares, holds directly, indirectly or with related persons who are not in the employ of the corporation or of such a subsidiary or company less than 5% of the shares of the issued capital stock of the corporation.”

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

**93.** (1) Section 965.6.11 of the said Act is replaced by the following section:

**“965.6.11** A stock ownership plan may provide that an individual is not an eligible employee of a corporation if, at the time of acquisition of the shares of the corporation, he cannot prove three consecutive months of service with the corporation, with a subsidiary referred to in section 965.6.9, with a company referred to in section 965.6.10 or with a subsidiary or company referred to in section 965.10.1 where the stock ownership plan provides that the employees of such a subsidiary or company are eligible employees.”

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

**94.** (1) Section 965.6.23 of the said Act, enacted by section 91 of chapter 4 of the statutes of 1988 and amended by section 168 of chapter 5 of the statutes of 1989, is again amended by replacing paragraphs *a* and *b* by the following paragraphs:

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

“(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, for the year, valid qualifying securities or acquired by the fund during the year, as a result of the exercise of the conversion right conferred on the holder of a convertible security purchased in the year by the fund with the proceeds of the issue of securities that are, for the year, 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;”.

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

**95.** (1) Section 965.8 of the said Act is repealed.

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

**96.** (1) Section 965.9.1 of the said Act, amended by section 93 of chapter 4 of the statutes of 1988 and by section 170 of chapter 5 of the statutes of 1989, is again amended by replacing subparagraphs *a* and *b* by the following subparagraphs:

“(a) a common share with full voting rights issued by a qualified corporation;

“(b) a subordinate voting share issued by a qualified corporation; or”.

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

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

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

(a) it is a common share with full voting rights or a subordinate voting share;

(b) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the conversion right conferred on the holder of a convertible security issued as part of a convertible security issue;

(c) it is issued by a qualified corporation whose assets are less than \$250 000 000 on the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of the issue of convertible securities referred to in paragraph *b*;

(d) it meets the requirements of paragraphs *c* and *c.0.1* of section 965.7 where the acquirer of the share is an investment fund, and the requirements of paragraphs *c*, *c.0.1* and *g* of section 965.7 where the acquirer of the share is an individual or an investment group;

(e) it is issued by a qualified corporation which states, in the final prospectus or in the application for exemption from filing a prospectus in respect of the issue of convertible securities referred to in paragraph *b*, 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;

(f) it is a share of a class of the capital stock of a qualified corporation having shares of the same class of its capital stock which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of the issue of convertible securities referred to in paragraph *b*, are listed on the Montréal Stock Exchange; and

(g) before the issue of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of the issue of convertible securities referred to in paragraph *b*, 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.

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

(a) it is a common share with full voting rights or a subordinate voting share;

(b) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the conversion right conferred on the holder of a convertible security issued, as a result of a transaction referred to in section 536, 541 or 544, in replacement for a convertible security which was outstanding at the time of such transaction and which, were it not for such replacement, could have been converted into a qualifying share described in section 965.9.1.0.1, or in replacement for such a convertible security which had been issued in substitution for a convertible security which, were it not for such substitution, could have been converted into a qualifying share described in this section;

(c) it is issued by a qualified corporation whose assets are less than \$250 000 000 on the date of the transaction referred to in paragraph *b*;

(d) it meets the requirements of paragraphs *c* and *c.0.1* of section 965.7 where the acquirer of the share is an investment fund, and the requirements of paragraphs *c*, *c.0.1* and *g* of section 965.7 where the acquirer of the share is an individual or an investment group;

(e) it is issued by a qualified corporation which states, in the final prospectus or in the application for exemption from filing a prospectus in respect of the replacement of a convertible security referred to in paragraph *b*, 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;

(f) it is a share of a class of the capital stock of a qualified corporation having shares of the same class of its capital stock which, immediately after the transaction referred to in paragraph *b*, are listed on the Montréal Stock Exchange; and

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

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

**98.** (1) Section 965.9.1.1 of the said Act, enacted by section 94 of chapter 4 of the statutes of 1988, is amended

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

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

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

“(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 subparagraph 1 of the second paragraph of section 68 of the Securities Act or in subparagraph 1 of the first paragraph of section 338 of the said 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) Paragraph 1 of subsection 1 has effect from 17 May 1989.

(3) Paragraph 2 of subsection 1 applies from the year 1988.

**99.** (1) Section 965.9.2 of the said Act is replaced by the following section:

**“965.9.2** Notwithstanding sections 965.9.1 to 965.9.1.1, a subordinate voting share is not a qualifying share for a stock savings plan if, in the opinion of the Commission des valeurs mobilières du Québec, its terms and conditions do not provide that its holder may participate fully and equitably in a public offer regarding the common shares of the issuing corporation.”



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

**100.** (1) Section 965.9.4 of the said Act, amended by section 171 of chapter 5 of the statutes of 1989, is again amended by replacing that part which precedes paragraph *a* by the following:

**“965.9.4** Notwithstanding sections 965.9.1 to 965.9.3, where the use, as stated in the final prospectus or the application for exemption from filing a prospectus or as may be inferred therefrom, of the major portion of the proceeds of a public share issue or of a convertible security issue is the direct or indirect payment for the acquisition of shares of another corporation or of any other negotiable instruments, a share acquired as part of the public share issue or following the exercise of a conversion right conferred on the holder of a convertible security acquired as part of the convertible security issue, as the case may be, is not a qualifying share except”.

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

**101.** (1) Section 965.9.5 of the said Act is replaced by the following section:

**“965.9.5** For the purposes of section 965.9.4, where the use, as stated in the final prospectus or the application for exemption from filing a prospectus or as may be inferred therefrom, of part or all of the proceeds of a public share issue or of a convertible security issue is the repayment of a loan or any other debt, contracted within a reasonable period of time before or after 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 securities issued within such period of time; for the payment of shares or any other negotiable instruments, the use of that part or all of the proceeds shall be deemed to be a payment for such an acquisition.”

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

**102.** (1) Section 965.9.5.1 of the said Act, enacted by section 96 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“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 or of a convertible security 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 has effect from 17 May 1989.

**103.** (1) Section 965.9.7 of the said Act, amended by section 97 of chapter 4 of the statutes of 1988, is again amended by replacing paragraph *b* by the following paragraph:

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

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

**104.** (1) The said Act is amended by inserting, after section 965.9.7, the following sections:

**“965.9.7.0.1** Notwithstanding sections 965.9.1 to 965.9.3, a qualifying share does not include a share issued in a particular year, under an exemption from filing a prospectus granted pursuant to subparagraph 2, 3 or 5 of the first paragraph of section 52 of the Securities Act (R.S.Q., chapter V-1.1) by a corporation that has certified, in accordance with the first paragraph of section 965.24.2, that, on 30 June in the year preceding that particular year, it was a corporation referred to in the first paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17.

Notwithstanding the first paragraph, where, in a particular year mentioned in the first paragraph, the corporation makes a public share issue in respect of which it is stipulated that it can be the subject of a stock savings plan, or makes a convertible security issue which the holder may convert into a share in respect of which there is such a stipulation, the first paragraph does not apply to shares of the capital stock of the corporation which are issued under an exemption referred to in the first paragraph in the part of the particular year following the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue or the convertible security issue.

**“965.9.7.0.2** Section 965.9.7.0.1 does not apply to a share issued in a particular year by a corporation that has certified, in accordance with the first paragraph of section 965.24.2, that, on 30 June in the year preceding that particular year, it followed a transaction, other than a particular transaction referred to in section 965.11.9.1 or 965.11.19.1 in respect of which the corporation was not bound to meet the requirement mentioned in the second paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17, a corporation referred to in the first paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17 if, from 1 July in the year preceding the particular year to 31 December in that year, the corporation met, with reference to sections 965.11.9.1 and 965.11.19.1, the requirement mentioned in the second paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17 in respect of that transaction, and transmitted to the Commission des valeurs mobilières du Québec and to the Minister, on or before 31 December in the year preceding the particular year, a notice in writing certifying that it had met that requirement.”

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

**105.** (1) Section 965.9.8 of the said Act, enacted by section 97 of chapter 4 of the statutes of 1988 and amended by section 173 of chapter 5 of the statutes of 1989, is again amended by replacing paragraph *d* by the following paragraph:

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

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

**106.** (1) Section 965.10 of the said Act, amended by section 98 of chapter 4 of the statutes of 1988, is again amended by replacing that part which precedes paragraph *a* by the following:

**“965.10** A corporation that makes a public share issue or a convertible security issue is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**107.** (1) The said Act is amended by inserting, after section 965.10.1, the following section:

**“965.10.1.1** For the purposes of paragraph *d* of section 965.10, where the use, as indicated by a corporation in a final prospectus or an exemption from filing a prospectus or as may be inferred therefrom, of the major portion of the proceeds of a public share issue or of a convertible security issue is the financing of scientific research and experimental development carried on in Québec, the corporation may elect that the following rules apply:

(a) the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus is replaced, where applicable, by a reference to its last interim financial statements, before that date, as audited and submitted to the shareholders;

(b) the value of the property mentioned therein is increased by the amount of expenditures in respect of scientific research and experimental development carried on in Québec in the taxation years ended in a 60 consecutive month period ending on the date of the financial statements considered and, in the case of interim financial statements, is also increased by the amount of expenditures in respect of scientific research and experimental development carried on in Québec in the period covered by those interim financial statements.”

(2) This section applies to a public share issue in respect of which a receipt for the final prospectus or an exemption from filing a prospectus was granted after 15 September 1988. However, where section 965.10.1.1 of the Taxation Act, enacted by this section, refers to a convertible security issue, this section has effect from 17 May 1989.

**108.** (1) Section 965.11 of the said Act is amended by replacing paragraphs *b* and *c* by the following paragraphs:

“(b) debentures, bonds or stocks issued by a body governed by the Cooperatives Act (R.S.Q., chapter C-67.2) or the Cooperative Syndicates Act (R.S.Q., chapter S-38) and meeting the requirements of paragraph *d* of the said section 965.10;

“(c) promissory notes or other debt securities obtained in the ordinary course of its business and held by a corporation to which the Bank Act (Statutes of Canada) or the Quebec Savings Banks Act (Statutes of Canada) applies, a body governed by the Canadian and British Insurance Companies Act (Statutes of Canada) or by the Act respecting insurance (R.S.Q., chapter A-32), by a corporation holding

a licence or otherwise authorized by the laws of Canada or a province to offer its services there as a trustee or any other corporation whose principal business is the lending of money or the purchasing of debts;”.

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

**109.** (1) Section 965.11.1 of the said Act, amended by section 99 of chapter 4 of the statutes of 1988, is again amended by replacing what precedes paragraph *a* by the following:

**“965.11.1** A corporation that makes a public share issue or a convertible security issue is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**110.** (1) Section 965.11.2 of the said Act is replaced by the following section:

**“965.11.2** A qualified corporation contemplated in section 965.11.1 shall, throughout the twenty-four months following the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of a public share issue or a convertible security issue, fulfill the requirements of paragraphs *a* to *e* of the said section 965.11.1.”

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

**111.** (1) Section 965.11.5 of the said Act, amended by section 100 of chapter 4 of the statutes of 1988, is again amended by replacing what precedes paragraph *a* by the following:

**“965.11.5** A corporation that makes a public share issue or a convertible security issue is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**112.** (1) Section 965.11.6 of the said Act is amended by replacing what precedes paragraph *a* by the following:

**“965.11.6** A corporation that makes a public share issue or a convertible security issue is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**113.** (1) Section 965.11.7 of the said Act is replaced by the following section:

**“965.11.7** A qualified corporation under section 965.11.6 whose subsidiary corporation referred to in paragraph *b* of the said section fulfills the requirements of paragraphs *a* to *f* of section 965.11.1 shall, throughout the 24 months following the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of a public share issue or a convertible security issue, see to it that the subsidiary corporation fulfills the requirements of paragraphs *a* to *e* of section 965.11.1.”

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

**114.** (1) Section 965.12 of the said Act is repealed.

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

**115.** (1) Section 965.13 of the said Act, amended by section 176 of chapter 5 of the statutes of 1989, is again amended by replacing what precedes paragraph *a* by the following:

**“965.13** A qualified corporation making a public share issue or a convertible security issue is a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**116.** (1) Section 965.15 of the said Act, amended by section 105 of chapter 4 of the statutes of 1988 and by section 177 of chapter 5 of the statutes of 1989, is again amended by replacing what precedes paragraph *a* by the following:

**“965.15** A qualified corporation making a public share issue or a convertible security issue is a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**117.** (1) Section 965.16 of the said Act, amended by section 106 of chapter 4 of the statutes of 1988 and by section 178 of chapter 5 of the statutes of 1989, is again amended by replacing what precedes paragraph *a* by the following:

**“965.16** A qualified corporation making a public share issue or a convertible security issue is also a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**118.** (1) Section 965.16.0.1 of the said Act, amended by section 107 of chapter 4 of the statutes of 1988 and by section 179 of chapter 5 of the statutes of 1989, is again amended by replacing what precedes paragraph *a* by the following:

**“965.16.0.1** A qualified corporation making a public share issue or a convertible security issue is a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”.

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

**119.** (1) Section 965.16.0.2 of the said Act, enacted by section 108 of chapter 4 of the statutes of 1988 and replaced by section 180 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“965.16.0.2** A qualified corporation making a public share issue or a convertible security issue in 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 has effect from 17 May 1989.

**120.** (1) Section 965.16.1 of the said Act, amended by section 109 of chapter 4 of the statutes of 1988, is again amended:

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

**“965.16.1** A qualified corporation resulting from an amalgamation within the meaning of section 544 that makes a public share issue or a convertible security issue not later than 365 days after the amalgamation is a developing corporation if,”;

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

“(c) immediately before the amalgamation, one of the predecessor corporations met all the requirements to qualify as a

developing corporation, except the requirement that it make a public share issue or a convertible security issue.”

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

**121.** (1) Section 965.17 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“965.17** A qualified corporation making its first public share issue or its first convertible security issue that would be, on the date of the receipt for the final prospectus, a developing corporation were it not for a venture capital corporation associated with it, is a developing corporation if, at the end of the public share issue or of the convertible security issue, it is no longer associated with the venture capital corporation.”

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

**122.** (1) Section 965.18 of the said Act, replaced by section 110 of chapter 4 of the statutes of 1988 and amended by section 181 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“965.18** An individual resident in Québec on the last day of a taxation year who, in the year, acquires a qualifying share or a 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 aggregate of the adjusted cost of the qualifying shares acquired by him in the year that he included in the plans not later than 31 January of the following year and the adjusted cost of the qualifying securities acquired by him in the year that he included in the plans not later than 31 January of the following year and that constitute valid qualifying securities for the year; and

(b) the adjusted cost of the shares and securities included in the plans at the end of the year, including those acquired by him during the year 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.”

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



**123.** (1) Section 965.19.1 of the said Act, replaced by section 110 of chapter 4 of the statutes of 1988 and amended by section 183 of chapter 5 of the statutes of 1989, is again amended by replacing paragraphs *b* and *c* by the following paragraphs:

“(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 acquired in 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 acquisition 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 in the year, that he included in a stock savings plan not later than 31 January of the following year and that constitute valid qualifying securities for the year.”

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

**124.** (1) Section 965.19.2 of the said Act, replaced by section 185 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“965.19.2** For the purposes of sections 965.18 to 965.19.1, where the individual contemplated therein is a member of an investment group and that group acquired and included, at a particular time, a qualifying share or a valid share in a stock savings plan under which it is a beneficiary, the said 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 share acquired and included at the same time in a stock savings plan under which the individual is a beneficiary.”

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

**125.** (1) Section 965.20 of the said Act, replaced by section 111 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“965.20** An individual resident in Québec on the last day of a taxation year who, in the year, withdraws a 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 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 shares and securities included in the plans at the end of the year, including those acquired by him in the year that he included in the plans during the month of January of the following year.

For the purposes of the first paragraph, where the individual is a member of an investment group and where, in the taxation year, the investment group withdraws a share from a stock savings plan under which it is a beneficiary, that 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 share withdrawn by the individual from a stock savings plan under which he is a beneficiary."

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

**126.** (1) The said Act is amended by inserting, after section 965.24.1, the following sections:

**"965.24.2** A corporation that is authorized, in a year, to issue shares of its capital stock under an exemption from filing a prospectus granted under subparagraph 2, 3 or 5 of the first paragraph of section 52 of the Securities Act (R.S.Q., chapter V-1.1), with the stipulation that they can be included in a stock savings plan, and that is, at the time mentioned in the second paragraph, authorized under the exemption to issue such shares in the year following that year, shall file with the Commission des valeurs mobilières du Québec and the Minister, not later than 15 December of the year, a written notice certifying that, on 30 June of the year, as a result of a transaction other than a particular transaction contemplated in section 965.11.9.1 or 965.11.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17, it is a corporation contemplated in the first paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17 or is not a corporation contemplated in any of those sections, if, where such is the case, a particular transaction contemplated in section 965.11.9.1 or 965.11.19.1 is not taken into account in respect of which the corporation is not bound to meet the requirement prescribed in the

second paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17.

The time referred to in the first paragraph is, in a year, the time in that year when the corporation files the written notice mentioned in the said paragraph.

**“965.24.3** A corporation described in the first paragraph of section 965.24.2 shall attach to the notice prescribed under the said section that it files with the Minister a detailed description, for the period of 12 consecutive months ending on 30 June of the year mentioned in the notice, of the acquisitions of shares of its capital stock by a person related to it, other than shares described in the third paragraph of sections 965.11.8 and 965.11.9 and in sections 965.11.12, 965.11.14 and 965.11.18.”

(2) This section has effect from 16 May 1989.

**127.** (1) Section 965.25 of the said Act is replaced by the following section:

**“965.25** Every dealer with whom an individual or an investment group 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 or investment group under the plan.”

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

**128.** (1) Section 965.26 of the said Act, replaced by section 187 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“965.26** The dealer shall ensure that every qualifying share to be included in a stock savings plan has been acquired for money consideration as part of a public share issue or acquired as a result of the exercise of the conversion right conferred upon the holder of a convertible security issued as part of a convertible security issue by an individual or an investment group as first purchaser, other than a dealer acting as an intermediary or firm underwriter, that the certificate for the share has been transmitted to him directly by the issuer of the certificate or by another dealer certifying that the certificate was held, without interruption from its issue, by a dealer acting as an intermediary or firm underwriter, and that the qualified corporation that issued the share has stated, in the final prospectus

or in the application for an exemption from filing a prospectus relating to the share or to the convertible security, that the share could be included in a stock savings plan.”

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

**129.** (1) Section 965.27 of the said Act, replaced by section 115 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“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 or investment funds mentioned in section 965.2.”

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

**130.** (1) Section 965.28 of the said Act is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) the issued shares are preferred shares contemplated in section 965.9.1 or convertible securities contemplated in section 965.9.1.0.1 or 965.9.1.0.2 that are convertible into common shares with full voting rights according to a conversion ratio such that it appears improbable that the conversion will be of any interest for the two years following the issue.”

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

**131.** (1) The said Act is amended by inserting, after section 965.28, the following sections:

**“965.28.1** Where a corporation files with the Commission des valeurs mobilières du Québec, in accordance with the first paragraph of section 965.24.2, a written notice on or before 15 December in a year, certifying that, on 30 June of that year, it is a corporation contemplated in the first paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17 and where it fails to file the written notice mentioned in section 965.9.7.0.2 on or before 31 December in that year, the Commission des valeurs mobilières du Québec shall, at the beginning of the year following that year, publish the corporate name of the corporation and disclose that shares that will be issued

by that corporation in the year following that year under an exemption from filing a prospectus granted under subparagraph 2, 3 or 5 of the first paragraph of section 52 of the Securities Act (R.S.Q., chapter V-1.1) will not constitute qualifying shares.

**“965.28.2** Where, at a particular time in a year, shares of the capital stock of a corporation are no longer contemplated in the first paragraph of section 965.9.7.0.1 by reason of the application of the second paragraph of the said section, the Commission des valeurs mobilières du Québec shall issue a communiqué revoking, as from that particular time, the publication made at the beginning of the year in accordance with section 965.28.1 in respect of shares of that corporation.”

(2) This section has effect from 16 May 1989.

**132.** (1) Section 965.29 of the said Act, amended by section 116 of chapter 4 of the statutes of 1988, is again amended

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

“(b.0.1) “research and development corporation” means a corporation all or substantially all the activities of which consist in conducting scientific research and experimental development;”;

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

“(d.1) “scientific research and experimental development” means scientific research and experimental development within the meaning of the regulations made under section 222;”.

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

**133.** (1) Section 965.30 of the said Act is replaced by the following section:

**“965.30** The unused adjusted qualified investment deduction of an individual for a taxation year is the amount by which the aggregate of the amounts determined under paragraph *a* and *b* of section 965.32 for each of the preceding five taxation years exceeds the aggregate of the amounts deducted under this title for the preceding taxation years that may reasonably be considered to be attributable to those amounts.”

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

**134.** (1) Section 965.31 of the said Act, replaced by section 189 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“965.31** The unused adjusted qualified investment deduction of a venture capital corporation for a taxation year is the amount by which 20 % of the aggregate of the amounts determined under paragraphs *a* and *b* of section 965.33 for each of the preceding five taxation years exceeds the aggregate of the amounts deducted under this title for the said preceding taxation years that may reasonably be considered to be attributable to those amounts.”

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

**135.** (1) Section 965.31.1 of the said Act, amended by section 190 of chapter 5 of the statutes of 1989, is again amended

(1) by replacing paragraphs *b* to *e* by the following paragraphs:

“(b) in the case of a qualified investment made during the period extending from 1 May 1986 to 16 May 1989 by a Québec business investment company other than such a corporation referred to in paragraph *c*, *d* or *e*, 100% of the amount of his or its interest in the qualified investment without exceeding 100 % of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(c) in the case of a qualified investment made during the period extending from 1 May 1986 to 16 May 1989 by a Québec business investment company referred to in section 4.1 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), 125% of the amount of his or its interest in the qualified investment without exceeding 125% of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(d) in the case of a qualified investment made during the period extending from 12 May 1988 to 16 May 1989 by a Québec business investment company referred to in section 4.2 of the Act respecting Québec business investment companies, as it read immediately before its repeal, 125% of the amount of his or its interest in the qualified investment without exceeding 125% of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(e) in the case of a qualified investment made during the period extending from 12 May 1988 to 16 May 1989 by a Québec business investment company referred to in section 4.3 of the Act respecting Québec business investment companies, as it read immediately before its repeal, 150% of the amount of his or its interest in the qualified investment without exceeding 150% of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;”;

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

“(f) in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies and made after 16 May 1989 by a Québec business investment company referred to in section 4 of the said Act, 100% of the amount of his or its interest in the qualified investment without exceeding 100% of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(g) in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies and made after 16 May 1989 by a Québec business investment company referred to in section 4.1 of the said Act, 125% of the amount of his or its interest in the qualified investment without exceeding 125% of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(h) in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies and made after 16 May 1989 by a Québec business investment company referred to in section 4 of the said Act, 125% of the amount of his or its interest in the qualified investment without exceeding 125% of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(i) in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies and made after 16 May 1989 by a Québec business investment company referred to in section 4.1 of the said Act, 150% of the amount of his

or its interest in the qualified investment without exceeding 150% of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment.”

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

**136.** (1) Section 965.32 of the said Act is replaced by the following section:

**“965.32** An individual, other than a trust, who is resident in Québec on 31 December of a year may deduct in computing his taxable income for that year an amount not exceeding the sum of the aggregate of

(a) the amounts representing his adjusted interest in a qualified investment for the year, other than a qualified investment made in a research and development corporation;

(b) the amounts representing his qualified portion for the year of his adjusted interest in a qualified investment made by a research and development corporation;

(c) the unused portion of his deduction relating to an adjusted interest in a qualified investment for the year.

However, the amount of the deduction provided for in the first paragraph shall not exceed 30% of the individual’s total income for the year.”

(2) This section applies from the taxation year 1989. However, where it enacts paragraph *b* of section 965.32 of the Taxation Act, it applies to qualified investments made by a Québec business investment company after 16 May 1989 and in respect of scientific research and experimental development expenditures made in Québec after that date.

**137.** (1) Section 965.33 of the said Act, replaced by section 192 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“965.33** A venture capital corporation may deduct, from its tax otherwise payable for a taxation year under this Part computed without reference to this Title, an amount not exceeding the sum of 20% of the aggregate of



(a) the amounts representing its adjusted interest in a qualified investment for the year, other than a qualified investment made in a research and development corporation;

(b) the amounts representing its qualified portion for the year of its adjusted interest in a qualified investment made in a research and development corporation;

(c) the unused portion of its deduction relating to an adjusted interest in a qualified investment for the year.”

(2) This section applies from the taxation year 1989. However, where it enacts paragraph *b* of section 965.33 of the Taxation Act, it applies to qualified investments made by a Québec business investment company after 16 May 1989 and in respect of scientific research and experimental development expenditures made in Québec after that date.

**138.** (1) The said Act is amended by inserting, after section 965.33, the following sections:

**“965.33.1** For the purposes of subparagraph *b* of the first paragraph of section 965.32 and paragraph *b* of section 965.33, the qualified portion in respect of a year of the adjusted interest of an individual or, as the case may be, a venture capital corporation, in a qualified investment made in a research and development corporation is equal to the amount obtained by multiplying the adjusted interest in a qualified investment by the proportion that

(a) the portion of the qualified investment that may be reasonably considered to be attributable to an expenditure referred to in subsection 1 of section 222 or in paragraph *a* of section 223, other than an expenditure referred to in section 1029.8.5.1, and made in the year by the research and development corporation in respect of scientific research and experimental development carried on in Québec, is of

(b) the amount of the qualified investment.

**“965.33.2** For the purposes of section 965.33.1, where a research and development corporation makes, at any particular time, an expenditure in respect of scientific research and experimental development and the expenditure may reasonably be considered to be deductible, under subsection 1 of section 222 or paragraph *a* of section 223, in computing the income of the research and development corporation at a later time than the particular time, the expenditure is deemed to have been made by the research and development corporation at that later time and not at the particular time.

**“965.33.3** For the purposes of section 965.33.1, where an individual or a venture capital corporation, hereinafter called the “heir”, acquires by succession or will a share in a Québec business investment company which, during the period beginning after the death of the deceased shareholder and ending at the time the share is allotted or transferred to the heir, makes a qualified investment in a research and development corporation, the expenditures in respect of scientific research and experimental development referred to in paragraph *a* of section 965.33.1 that would, but for this section, be made by the research and development corporation during that period are deemed, in respect of the heir, to be made at the time the share is allotted or transferred to the heir.”

(2) This section applies in respect of investments made by a Québec business investment company after 16 May 1989 and in respect of scientific research and experimental development expenditures made in Québec after that date.

**139.** (1) The said Act is amended by inserting, after section 965.34, the following section:

**“965.34.1** A research and development corporation which benefits from a qualified investment and uses the proceeds of the qualified investment to make, in a year, expenditures referred to in paragraph *a* of section 965.33.1 shall transmit to the Société de développement industriel du Québec and to the Minister, on or before 31 January of the year following that year, a written notice stating the amount of those expenditures for the year.

A certificate issued by an independent auditor attesting to the amount of the expenditures must accompany the written notice that must be transmitted to the Minister under the first paragraph.”

(2) This section applies in respect of investments made by a Québec business investment company after 16 May 1989 and in respect of scientific research and experimental development expenditures made in Québec after that date.

**140.** (1) Section 965.36 of the said Act is replaced by the following section:

**“965.36** The adjusted cost to an individual of a qualifying security is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition of the security incurred by him or by a qualified partnership, by 150% in the case of a qualifying security acquired in 1985 or by 100% in the case of a qualifying

security, other than such a security referred to in the second paragraph, acquired after 1985.

The adjusted cost of a qualifying security, to an individual who acquires it after 16 May 1989 within the scope of a workers investment program referred to in section 4.1 of the cooperative investment plan, is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition incurred by him, by 125 %."

(2) This section has effect from 27 September 1989.

**140.** (1) The said Act is amended by inserting, after section 965.39, the following:

#### "TITLE VI.4

#### "CREDIT UNION PERMANENT SHARE SAVINGS PLAN

#### "CHAPTER I

#### "INTERPRETATION

**"965.40** In this title,

(a) "credit union" means a savings and credit union governed by the Savings and Credit Unions Act (1988, chapter 64) which is affiliated with a federation, as provided for by section 11 of the said Act, which federation is affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec;

(b) "adjusted cost" means the adjusted cost of a qualifying permanent share as determined under section 965.42;

(c) "permanent share" means a share meeting the requirements of sections 73 to 80 of the Savings and Credit Unions Act and acquired for money consideration within the scope of a credit union permanent share savings plan by an individual as first purchaser, other than a dealer acting as an intermediary or firm underwriter;

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

- i. 31 December of that year;

ii. the date of his last day of residence in Québec if he ceases to reside in Québec in that year;

iii. the date of his death if he dies in that year;

(e) “credit union permanent share savings plan” means an arrangement under which an individual acquires, on or before 31 December 1991, a permanent share;

(f) “qualified registered retirement savings plan” means a registered retirement savings plan under which the individual or his spouse is the annuitant within the meaning of paragraph *b* of section 905.1.

## “CHAPTER II

### “GENERALITIES

**“965.41** For the purposes of this title, where an individual transfers a permanent share to his qualified registered retirement savings plan, the following rules apply:

(a) the individual is deemed not to have disposed of the permanent share as a result of the transfer;

(b) the permanent share is deemed to be held by the individual for the entire time it is held by his qualified registered retirement savings plan;

(c) the permanent share is deemed to be disposed of by the individual at the time it is disposed of by his qualified registered retirement savings plan.

**“965.42** The adjusted cost of a permanent share to an individual is obtained by multiplying the cost of the permanent share to the individual, determined without taking into account the borrowing costs or other costs related to the acquisition of the share, by 100%.

**“965.43** For the purposes of this title, notwithstanding sections 436 and 440, the death of an individual does not entail the disposition of a permanent share owned by him at the time of his death.

**“965.44** For the purposes of this title, the dissolution or the winding-up, in accordance with the Savings and Credit Unions Act (1988, chapter 64), of a credit union having issued a permanent share does not entail the disposition of the permanent share.

**“965.45** For the purposes of this title, where an individual purchases a permanent share during the period extending from 1 January 1990 to 1 March 1990, he may elect to regard the acquisition of the share as having been made in 1989.

Where an individual makes the election provided for in the first paragraph in respect of a permanent share, the permanent share is deemed not to have been acquired in 1990.

**“965.46** For the purposes of this title, where an individual purchases a permanent share during the period extending from 1 January 1990 to 1 March 1990, he is deemed to hold the permanent share on 31 December 1989.

### “CHAPTER III

#### “DEDUCTION

**“965.47** An individual, other than a trust, may deduct in computing his taxable income for a taxation year an amount not exceeding the adjusted cost of the aggregate of his qualifying permanent shares in respect of the year.

**“965.48** In no case may the amount of the deduction under section 965.47 for a taxation year in respect of an individual exceed the lesser of \$1 000 and the amount by which \$3 000 exceeds the aggregate of the amounts deducted by him under the said section in respect of previous years.

### “CHAPTER IV

#### “INCLUSION

**“965.49** An individual, other than a trust, who during a particular year disposes of a permanent share acquired during the year preceding the particular year, shall include, in computing his income for the particular year, the lesser of

(a) the adjusted cost of the aggregate of such permanent shares disposed of by him during the particular year; and

(b) the amount by which the amount deducted by him under section 726.0.1, for the year preceding the particular year, in respect of the permanent shares acquired by him during the year preceding the particular year, exceeds the adjusted cost of such permanent shares held by him on the earliest of the following dates:

- i. 31 December of the particular year;

ii. the date of his last day of residence in Québec if he ceases to reside in Québec in the particular year;

iii. the date of his death if he dies in the particular year.

**“965.50** An individual, other than a trust, who during a particular year disposes of a permanent share acquired during the year preceding the year preceding the particular year, shall include, in computing his income for the particular year, the lesser of

(a) the adjusted cost of the aggregate of such permanent shares disposed of by him during the particular year; and

(b) the amount by which the amount deducted by him under section 726.0.1, for the year preceding the year preceding the particular year, in respect of the permanent shares acquired by him during the year preceding the year preceding the particular year, exceeds the aggregate of the amount included in computing his income, under section 310, for the year preceding the particular year in respect of such permanent shares and the adjusted cost of such permanent shares held by him on the earliest of the following dates:

i. 31 December of the particular year;

ii. the date of his last day of residence in Québec if he ceases to reside in Québec in the particular year;

iii. the date of his death if he dies in the particular year.

**“965.51** For the purposes of sections 965.49 and 965.50, a permanent share acquired by an individual during the period extending from 1 January 1990 to 1 March 1990, other than a permanent share in respect of which the individual made the election provided for in the first paragraph of section 965.45, is deemed to have been acquired by him in 1989.

## “CHAPTER V

### “SUPERVISION

**“965.52** The total amount of permanent share issues by all savings and credit unions shall not exceed \$250 000 000.

**“965.53** La Confédération des caisses populaires et d'économie Desjardins du Québec shall ensure that the total amount of permanent share issues distributed by all credit unions does not exceed,

(a) for the period preceding 2 March 1990, \$75 000 000;

(b) for the period extending from 2 March 1990 to 31 December 1990, the amount by which \$150 000 000 exceeds the total amount of permanent share issues distributed by all credit unions before 2 March 1990;

(c) for the year 1991, the amount by which \$250 000 000 exceeds the total amount of permanent share issues distributed by all credit unions before 1 January 1991.

## “CHAPTER VI

### “ADMINISTRATION

**“965.54** An individual who avails himself of this title shall attach to his fiscal return filed for a taxation year under section 1000 a statement in prescribed form concerning his investments in permanent shares and a copy of the declarations in prescribed form received by him in the year in respect of those investments from La Confédération des caisses populaires et d’économie Desjardins.”

(2) This section applies in respect of permanent shares issued by a savings and credit union in respect of which the receipt for the final prospectus or the prospectus exemption was granted after 16 May 1989 and which are acquired before 1 January 1992.

**142.** (1) Section 1010 of the said Act is amended by replacing subsections 2 and 3 by the following subsections:

“(2) The Minister may also again assess the tax, interest and penalties under this Part and reassess or make an additional assessment, as the case may be,

(a) within three years after the day of mailing of an original assessment or of a notification that no tax is payable for a taxation year;

(a.0.1) within four years after the day contemplated in paragraph *a* if, at the end of the taxation year concerned, the taxpayer is a mutual fund trust or a corporation other than a Canadian controlled private corporation;

(a.1) within six years after the day contemplated in paragraph *a* or, in the case of a taxpayer referred to in paragraph *a.0.1*, within seven years after that day where the Minister shall reassess the taxpayer’s tax in accordance with section 1012 or should have reassessed the tax if the taxpayer had claimed an amount in the prescribed time limit pursuant to the said section 1012 or where,

following another taxpayer's tax reassessment in accordance with this paragraph or section 1012, it is advisable to reassess the taxpayer's tax for any relevant taxation year;

(b) at any time, if the taxpayer or the person who filed the return

i. has made a misrepresentation that is attributable to neglect or wilful default or has committed any fraud in filing the return or in supplying any information provided for in this Part; or

ii. has filed with the Minister a waiver in the prescribed form.

"(3) However, the Minister may, under paragraph *a.1* of subsection 2, reassess or make an additional assessment beyond the periods contemplated in paragraph *a* or *a.0.1* of subsection 2 only to the extent that the reassessment or additional assessment may be reasonably regarded as related to the tax reassessment contemplated in the said paragraph *a.1*."

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

**143.** (1) Section 1014 of the said Act is amended by replacing the third paragraph by the following paragraph:

"However, where a court vacates an assessment on the ground that it has been issued beyond the period during which the Minister may reassess or make an additional assessment under paragraph *a*, *a.0.1* or *a.1* of subsection 2 of section 1010, as the case may be, the assessment replaced by the assessment so vacated remains valid and binding, but any time prescribed by a fiscal law and applicable in regard thereto begins to run from the date of the judgment vacating the last assessment."

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

**144.** (1) Section 1027 of the said Act is amended by replacing subparagraphs i and ii of subparagraph *a* of the first paragraph by the following subparagraphs:

"i. on or before the last day of each month of the current taxation year an amount equal to 112 % of 1/12 of its tax for the year estimated in accordance with section 1004, computed without reference to sections 771.0.1 and 771.0.1.1, or of its first basic provisional account, established in the prescribed manner, for the year; or

"ii. on or before the last day of each of the first two months of the current taxation year, an amount equal to 112 % of 1/12 of its



second basic provisional account, established in the prescribed manner, for the year and, on or before the last day of each of the following months of the year, an amount equal to 112 % of 1/10 of the excess of its first basic provisional account contemplated in subparagraph i over the amount computed in respect of the first two months of the year; and”.

(2) This section applies in respect of a payment required to be made by a corporation for a taxation year ending after 16 May 1989. However, where subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 of the Taxation Act, enacted by this section, apply for the computation of the payment required to be made by a corporation before 16 May 1989 for such a taxation year, they shall be read as though the percentage “112 %”, wherever it appears, were replaced by the percentage “107.25 %”.

**145.** (1) Section 1029.2 of the said Act, amended by section 199 of chapter 5 of the statutes of 1989, is again amended by replacing subparagraph i of paragraph *a* by the following subparagraph:

“i. such proportion of 3.36 % of the amount by which such loss exceeds the portion of the loss it deducted in computing its taxable income for each of the three preceding years, as is represented by the ratio between its business carried on in Québec during the particular year and the aggregate of its business carried on in Québec and elsewhere during the latter year as established under subsection 2 of section 771; and”.

(2) This section applies, subject to subsection 3, to a particular taxation year ending after 16 May 1989.

(3) If the particular taxation year includes 16 May 1989, the amount which, but for this subsection, would be determined for the year under subparagraph i of paragraph *a* of section 1029.2 of the Taxation Act, enacted by this section, shall be reduced to the aggregate of

(a) such proportion of the amount which, but for this section, would be determined for the year under subparagraph i of paragraph *a* of section 1029.2 of the Taxation Act, as is represented by the ratio between the number of days in the year and the number of days in the year preceding 17 May 1989; and

(b) such proportion of the amount which, but for this paragraph, would be determined for the year under subparagraph i of paragraph

*a* of section 1029.2 of the Taxation Act, enacted by this section, as is represented by the ratio between the number of days in the year and the number of days in the year after 16 May 1989.

**146.** (1) Section 1029.7 of the said Act, amended by section 123 of chapter 4 of the statutes of 1988, by section 113 of chapter 18 of the statutes of 1988 and by section 200 of chapter 5 of the statutes of 1989, is again amended

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

“Furthermore, for the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027 or 1145 where that section refers to section 1027, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Part IV on the date on or before which each 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.”;

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

“(a) constitute, for the taxpayer, an expenditure referred to in subsection 1 of section 222 or in paragraph *a* of section 223, and in subparagraph *b* of the first paragraph of section 230, other than an expenditure referred to in paragraph *e* of the said subsection 1 which, but for subsection 3 of section 175.1, would not be deductible;”;

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

(4) by adding, after subparagraph iv of subparagraph *b* of the third paragraph, the following subparagraph:

“v. an expenditure referred to in subparagraph *a* or *c* of the first paragraph of section 230.0.0.2.”

(2) Paragraph 1 of subsection 1 applies in respect of a payment required to be made after 15 May 1989.

(3) Paragraph 2 of subsection 1 applies, subject to subsection 4, in respect of expenditures made for scientific research and experimental development after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

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

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

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

ii. a favourable decision on the application of subparagraph *a* of the third paragraph of section 1029.7 of the Taxation Act, enacted by paragraph 2 of subsection 1 of this section, was rendered by the Ministère du Revenu.

(4) Where paragraph 2 of subsection 1 inserts, in subparagraph *a* of the third paragraph of section 1029.7 of the Taxation Act, enacted by this section, a reference to paragraph *a* of section 223 of the said Act, it applies in respect of wages or remuneration paid after 30 April 1987.

(5) Paragraphs 3 and 4 of subsection 1 apply in respect of

(a) a building and a leasehold acquired after 31 December 1987, other than a building and a leasehold acquired before 1 January 1990

i. pursuant to an obligation entered into in writing before 18 June 1987; or

ii. the construction of which by or for the taxpayer began before 18 June 1987;

(b) a payment referred to in subparagraph *c* of the first paragraph of section 230.0.0.2 of the Taxation Act made after 15 December 1987, other than a payment made pursuant to an agreement in writing entered into before 16 December 1987 with a person with whom the taxpayer deals at arm's length.

**147.** (1) Section 1029.7.2 of the said Act, enacted by section 201 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“1029.7.2** Where the taxpayer referred to in section 1029.7 is a corporation that has been, during the whole taxation year contemplated therein, a corporation that is not controlled directly or indirectly in any manner whatever by one or more persons not resident in Canada and the assets or the net shareholders' equity shown in its books and financial statements submitted to the

shareholders for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than \$25 000 000 or no more than \$10 000 000, respectively, the rate of 20 % mentioned in the said section shall be replaced by a rate of 40 %, to the extent that it is applied to the wages and portion of the remuneration contemplated therein, the aggregate of which does not exceed the expenditure limit of the corporation for the year.”

(2) This section applies in respect of wages and remuneration paid after 16 May 1989 for expenditures made after 16 May 1989.

**148.** (1) Sections 1029.7.7 to 1029.7.9 of the said Act, enacted by section 201 of chapter 5 of the statutes of 1989, are replaced by the following sections:

**“1029.7.7** For the purposes of section 1029.7.2, the expenditure limit of a corporation for a taxation year equals \$2 000 000, except where the corporation is associated in the year with one or more other corporations that are not controlled directly or indirectly in any manner whatever by one or more persons not resident in Canada in which case, subject to sections 1029.7.8 to 1029.7.10, its expenditure limit for the year is nil.

**“1029.7.8** Notwithstanding section 1029.7.7, where all of the corporations that are not controlled directly or indirectly in any manner whatever by one or more persons not resident in Canada and that are associated with each other in a taxation year have filed with the Minister, in prescribed form, an agreement whereby, for the purposes of section 1029.7.2, they allocate an amount to one or more of them for the taxation year and the amount or the aggregate of the amounts so allocated, as the case may be, equals \$2 000 000, the expenditure limit for the year of each of the corporations is equal to the amount so allocated to it.

**“1029.7.9** If any of the corporations that are not controlled directly or indirectly in any manner whatever by one or more persons not resident in Canada and that are associated with each other in a taxation year fails to file with the Minister an agreement as contemplated in section 1029.7.8 within thirty days after notice in writing by the Minister is forwarded to any of them that such an agreement is required for the purpose of any assessment of tax under this Part, the Minister shall, for the purposes of section 1029.7.2, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal \$2 000 000, and in any such case, notwithstanding section 1029.7.7, the expenditure limit for the year of each of the corporations equals the amount so allocated to it.”

(2) This section applies in respect of wages and remuneration paid after 16 May 1989 for expenditures made after 16 May 1989.

**149.** (1) Section 1029.7.10 of the said Act, enacted by section 201 of chapter 5 of the statutes of 1989, is amended by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) where a corporation that is not controlled directly or indirectly in any manner whatever by one or more persons not resident in Canada, called “the first corporation” in this section, has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another such corporation that has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph *b*; and

“(b) where a corporation that is not controlled directly or indirectly in any manner whatever by one or more persons not resident in Canada has a taxation year that is less than fifty-one weeks, its expenditure limit for the year is that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365.”

(2) This section applies in respect of wages and remuneration paid after 16 May 1989 for expenditures made after 16 May 1989.

**150.** (1) Section 1029.8 of the said Act, amended by section 124 of chapter 4 of the statutes of 1988, by section 114 of chapter 18 of the statutes of 1988 and by section 202 of chapter 5 of the statutes of 1989, is again amended

(1) by replacing the first and second paragraphs by the following paragraphs:

“**1029.8** Where a partnership carries on a business in Canada and undertakes or causes to be undertaken, on its behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, every taxpayer, other than a taxpayer mentioned in section 984 or 985, who 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 who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in which the fiscal period

ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 20 % of the wages the partnership has paid 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 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.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027 or 1145 where that section refers to section 1027, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Part IV, the amount determined for the year in his 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 taxpayer 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 he is required to make such a payment.”;

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

“(a) constitute, for the partnership, a deductible expenditure referred to in subsection 1 of section 222 or in paragraph *a* of section 223, and in subparagraph *b* of the first paragraph of section 230, other than an expenditure referred to in paragraph *e* of the said subsection 1 which, but for subsection 3 of section 175.1, would not be deductible;”;

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

(4) by adding, after subparagraph iv of subparagraph *b* of the third paragraph, the following subparagraph:

“v. an expenditure referred to in subparagraph *a* or *c* of the first paragraph of section 230.0.0.2.”

(2) Paragraph 1 of subsection 1, where it replaces the first paragraph of section 1029.8 of the Taxation Act, has effect from 16 May 1989. However, where it strikes out the words “during the fiscal period” wherever they appear in that first paragraph, it applies from the taxation year 1988.

(3) Paragraph 1 of subsection 1, where it replaces the second paragraph of section 1029.8 of the Taxation Act, applies in respect of a payment required to be made after 15 May 1989.

(4) Paragraph 2 of subsection 1 applies, subject to subsection 5, in respect of expenditures made for scientific research and experimental development after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

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

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

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

ii. a favourable decision on the application of subparagraph *a* of the third paragraph of section 1029.8 of the Taxation Act, enacted by paragraph 2 of subsection 1 of this section, was rendered by the Ministère du Revenu.

(5) Where paragraph 2 of subsection 1 inserts, in subparagraph *a* of the third paragraph of section 1029.8 of the Taxation Act, enacted by this section, a reference to paragraph *a* of section 223 of the said Act, it applies in respect of wages or remuneration paid after 30 April 1987.

(6) Paragraphs 3 and 4 of subsection 1 apply in respect of

(a) a building and a leasehold acquired after 31 December 1987, other than a building and a leasehold acquired before 1 January 1990

i. pursuant to an obligation entered into in writing before 18 June 1987; or

ii. the construction of which by or for the taxpayer began before 18 June 1987;

(b) a payment referred to in subparagraph *c* of the first paragraph of section 230.0.0.2 of the Taxation Act made after 15 December 1987, other than a payment made pursuant to an agreement in writing entered into before 16 December 1987 with a person with whom the taxpayer deals at arm's length.

**151.** (1) Section 1029.8.0.2 of the said Act, enacted by section 203 of chapter 5 of the statutes of 1989, is amended

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

**“1029.8.0.2** Where a partnership carries on a business in Canada and undertakes or causes to be undertaken, on its behalf 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 ending after 31 December 1987 during which the research and development were undertaken and that is not mentioned in section 984 or 985 but is a specified member or a limited partner, within the meaning of section 613.6 of the partnership during the said fiscal period, is deemed to have paid to the Minister for its taxation year in which the 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 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 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.”;

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

“Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027 or 1145 where that section refers to 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 the aggregate of its tax payable for the year pursuant to this Part and of its tax payable for the year pursuant to Part IV, 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.”;

(3) by replacing subparagraphs *b* and *c* of the fourth paragraph by the following subparagraphs:

“(b) constitute, for the partnership, an expenditure referred to in subsection 1 of section 222 or in paragraph *a* of section 223, and in



subparagraph *b* of the first paragraph of section 230, other than an expenditure referred to in paragraph *e* of the said subsection 1 which, but for subsection 3 of section 175.1, would not be deductible;

“(c) do not constitute

i. 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 1029.8.7.2 applies;

ii. an expenditure referred to in subparagraph *a* or *c* of the first paragraph of section 230.0.0.2.”

(2) Paragraph 1 of subsection 1, where it replaces the first paragraph of section 1029.8.0.2 of the Taxation Act, has effect from 16 May 1989. However, where it strikes out the words “during the fiscal period” wherever they appear in that first paragraph, it applies from the taxation year 1988.

(3) Paragraph 2 of subsection 1 applies in respect of a payment required to be made after 15 May 1989.

(4) Paragraph 3 of subsection 1, where it replaces subparagraph *b* of the fourth paragraph of section 1029.8.0.2 of the Taxation Act, applies, subject to subsection 5, in respect of expenditures made for scientific research and experimental development after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

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

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

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

ii. a favourable decision on the application of subparagraph *b* of the fourth paragraph of section 1029.8.0.2 of the Taxation Act, enacted by paragraph 3 of subsection 1 of this section, was rendered by the Ministère du Revenu.

(5) Where paragraph 3 of subsection 1 inserts, in subparagraph *b* of the fourth paragraph of section 1029.8.0.2 of the Taxation Act,

enacted by this section, a reference to paragraph *a* of section 223 of the said Act, it applies in respect of wages or remuneration paid after 30 April 1987.

(6) Paragraph 3 of subsection 1, where it replaces subparagraph *c* of the fourth paragraph of section 1029.8.0.2 of the Taxation Act, applies in respect of

(a) a building and a leasehold acquired after 31 December 1987, other than a building and a leasehold acquired before 1 January 1990

i. pursuant to an obligation entered into in writing before 18 June 1987; or

ii. the construction of which by or for the taxpayer began before 18 June 1987;

(b) a payment referred to in subparagraph *c* of the first paragraph of section 230.0.0.2 of the Taxation Act, enacted by this section, made after 15 December 1987, other than a payment made pursuant to an agreement in writing entered into before 16 December 1987 with a person with whom the taxpayer deals at arm's length.

**152.** (1) Section 1029.8.1 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988 and amended by section 204 of chapter 5 of the statutes of 1989, is again amended

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

“(b) “university research contract” means a contract entered into after 30 April 1987 and before 1 January 1994 between a taxpayer or partnership carrying on a business in Canada or a prescribed linkage agency commissioned by such a taxpayer or partnership and an eligible university entity under which the eligible university entity binds itself to undertake directly, in Québec, before 1 January 1996, scientific research and experimental development, related to a business of the taxpayer or partnership or of the other partnership or the taxpayer contemplated in the fourth paragraph of section 1029.8.7.2 to whom the partnership is related, where the latter are entitled to exploit the results thereof;”;

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

“(d.1) “qualified expenditure” means an expenditure made in respect of scientific research and experimental development by a taxpayer or partnership that is an expenditure referred to in subsection 1 of section 222 or in paragraph *a* of section 223, other than such an expenditure referred to in section 1029.8.5.1;”;

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

“(f) “eligible university entity” means a Québec university, a prescribed university hospital medical research centre or any other prescribed body;”.

(2) Paragraph 1 of subsection 1 has effect from 16 May 1989. However, where it replaces, in paragraph *b* of section 1029.8.1 of the Taxation Act, enacted by this section, the word “make” by the words “undertake directly” and where it strikes out, in the said paragraph, the words “, on behalf of the taxpayer or partnership, expenditures in respect of” and “directly undertaken by the entity,” it has effect from 1 May 1987 and, where the said paragraph *b* applies to the taxation year 1987, the word “taxpayer” in the first phrase so struck out shall be replaced by the word “corporation”.

(3) Paragraph 2 of subsection 1 applies in respect of expenditures made for scientific research and experimental development after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

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

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

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

ii. a favourable decision on the application of paragraph *d.1* of section 1029.8.1 of the Taxation Act, enacted by paragraph 2 of subsection 1 of this section, was rendered by the Ministère du Revenu.

(4) Paragraph 3 of subsection 1 has effect from 1 May 1987. However, where paragraph *f* of section 1029.8.1 of the Taxation Act, replaced by this section, applies in respect of a university research contract made before 13 May 1988, the said paragraph shall be read as follows:

“(f) “eligible university entity” means a university researcher, a university research team, a Québec university, a prescribed university hospital medical research centre or any other prescribed body;”.

**153.** (1) Section 1029.8.3 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988 and amended by section 206 of

chapter 5 of the statutes of 1989, and sections 1029.8.4 and 1029.8.5 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988 and replaced by section 207 of chapter 5 of the statutes of 1989, are repealed.

(2) This section applies in respect of expenditures made for scientific research and experimental development after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project the elaboration of which was complete on 17 May 1989 and in respect of which expenditures for scientific research and experimental development were made before that date or the elaboration of which was sufficiently well advanced on 17 May 1989 and in respect of which both an application for an advance ruling has been filed with the Ministère du Revenu on or before 15 June 1989 and a favourable decision on the application of sections 1029.8.3 to 1029.8.5 of the Taxation Act, repealed by this section, was rendered by the Ministère du Revenu, in which cases the reference to 1 January 1993 in paragraph *b* of the said section 1029.8.3 shall be replaced by a reference to 1 January 1996.

**154.** (1) The said Act is amended by inserting, before the heading of Subdivision III of Division II.1 of Chapter III.1 of Title III of Book IX of Part I, the following sections:

**“1029.8.5.1** The expenditure to which paragraph *d.1* of section 1029.8.1 refers is

(a) an expenditure of a current nature incurred by a taxpayer or partnership in respect of the general administration or management of a business, including

i. the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure;

ii. a legal or accounting fee;

iii. an amount referred to in any of sections 147, 148, 160, 161, 163, 176 and 179;

iv. an entertainment expense;

v. an advertising or selling expense;

vi. a convention expense;

vii. a due or fee in respect of membership in a scientific or technical organization;

viii. a fine or penalty;

(b) an expenditure of a current nature incurred by a taxpayer or partnership for the maintenance and upkeep of premises, facilities or equipment to the extent that such expenditure is not attributable to the prosecution of scientific research and experimental development;

(c) an expenditure of a capital nature incurred by a taxpayer or partnership to acquire property, other than such an expenditure incurred for the prosecution of scientific research and experimental development or for the provision of premises, facilities or equipment for that purpose that are all or substantially all attributable to such prosecution or provision;

(d) an expenditure of a capital nature incurred by a taxpayer or partnership to acquire a qualified property within the meaning of subsection 9 of section 127 of the Income Tax Act (Statutes of Canada);

(e) an expenditure of a capital nature incurred by a taxpayer or partnership to acquire property where such property has been used or acquired for use or lease, for any purpose whatever, before it was acquired;

(f) an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

(g) an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716;

(h) an expenditure of a current or capital nature, to the extent that the taxpayer or partnership has received or is entitled to receive a reimbursement in respect thereof from a person resident in Canada, other than

i. Her Majesty in right of Canada or a province;

ii. an agent of Her Majesty in right of Canada or a province;

iii. a corporation, commission or association that is controlled, in any manner whatever, by Her Majesty in right of Canada or a province or by an agent of Her Majesty in right of Canada or a province;

iv. a municipality in Canada or a municipal or public body performing a function of government in Canada;

(i) an expenditure of a current or capital nature, to the extent that the taxpayer or partnership having incurred it has received or is entitled to receive a reimbursement in respect thereof from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing his taxable income earned in Canada for a taxation year;

(j) an expenditure made in respect of the acquisition or lease of animals, other than laboratory animals within the meaning of the regulations under section 230.0.0.2, or in respect of any other similar kind of transaction regarding such animals.

**“1029.8.5.2** An expenditure referred to in paragraph *a* or *b* of section 1029.8.5.1 does not include an expenditure referred to therein that is incurred by a taxpayer or partnership who or which derives all or substantially all of his or its income from the prosecution of scientific research and experimental development or from the sale of rights in scientific research and experimental development carried on by the taxpayer or partnership, as the case may be, or of rights derived therefrom.”

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

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

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

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

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

**155.** (1) Section 1029.8.6 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988 and replaced by section 208 of chapter 5 of the statutes of 1989, is amended by replacing the first and second paragraphs by the following paragraphs:

**“1029.8.6** A taxpayer, other than a tax exempt taxpayer, who carries on a business in Canada and has made a university research

contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken by the eligible university entity under the university research contract, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 40 % of the total or partial amount of a qualified expenditure he has paid before 1 January 1996 to the eligible university entity, that may reasonably be considered to be attributable to expenditures made for scientific research and experimental development by the eligible university entity in Québec under the university research contract during the year.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027 or 1145 where that section refers to section 1027, the taxpayer is deemed to have paid to the Minister as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Part IV, on the date on or before which each payment is required to be made, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment."

(2) This section, where it replaces the first paragraph of section 1029.8.6 of the Taxation Act, applies, subject to subsections 4 to 11, in respect of expenditures made for scientific research and experimental development after 30 April 1987.

(3) This section, where it replaces the second paragraph of section 1029.8.6 of the Taxation Act, applies in respect of payments required to be made after 15 May 1989.

(4) Notwithstanding subsection 2, where the first paragraph of section 1029.8.6 of the Taxation Act, in the version enacted by subsection 1, applies in respect of expenditures made for scientific research and experimental development before 16 December 1987 or in respect of expenditures referred to in subsection 5, the said paragraph shall, subject to subsections 7 and 8, be read as follows:

**"1029.8.6** A taxpayer, other than a tax exempt taxpayer, who carries on a business in Canada and has made a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to the business or

class of business of the taxpayer were undertaken by the eligible university entity under the university research contract, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 40 % of the total or partial amount he has paid before 1 January 1993 to the eligible university entity, 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 the scientific research and experimental development carried on by the eligible university entity in Québec under the university research contract during the year.”

(5) The expenditures to which subsections 4 and 9 refer are expenditures made for scientific research and experimental development after 15 December 1987 and before 1 January 1989

(*a*) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(*b*) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(6) For the purposes of paragraph *a* of subsection 5, where expenditures are made after 15 December 1987 by way of a payment



to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.

(7) Where the first paragraph of section 1029.8.6 of the Taxation Act, in the version enacted by subsection 4, refers to a prescribed linkage agency commissioned by a taxpayer, the said paragraph has effect from 13 May 1988.

(8) Where the first paragraph of section 1029.8.6 of the Taxation Act, in the version enacted by subsection 4, refers to a taxpayer, the said paragraph applies from the taxation year 1988.

(9) Notwithstanding subsection 2, where the first paragraph of section 1029.8.6 of the Taxation Act, in the version enacted by subsection 1, applies in respect of expenditures made for scientific research and experimental development after 15 December 1987, other than expenditures referred to in subsection 5, and before 17 May 1989 or in respect of expenditures made for scientific research and experimental development after 16 May 1989 in respect of a scientific research and experimental development project the elaboration of which was complete on 17 May 1989 and in respect of which expenditures for scientific research and experimental development were made before that date or the elaboration of which was sufficiently well advanced on 17 May 1989 and in respect of which both an application for an advance ruling has been filed with the Ministère du Revenu on or before 15 June 1989 and a favourable decision on the application of the said first paragraph, where it refers to a qualified expenditure, was rendered by the Ministère du Revenu, the said first paragraph shall be read as follows and subsections 7 and 8 apply adapted as required:

**“1029.8.6** A taxpayer, other than a tax exempt taxpayer, who carries on a business in Canada and has made a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken by the eligible university entity under the university research contract, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 40 % of the total or partial amount he has paid before 1 January 1996 to the eligible university entity, 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 during the year.”

(10) Where subsections 1 and 9 of this section replace, in the first paragraph of section 1029.8.6 of the Taxation Act, enacted by such subsections, the reference to 1 January 1993 by a reference to 1 January 1996, they apply from 17 May 1989.

**156.** (1) Section 1029.8.7 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988 and amended by section 210 of chapter 5 of the statutes of 1989, is again amended by replacing the first and second paragraphs by the following paragraphs:

**“1029.8.7** Where a partnership carries on a business in Canada and has entered into a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership was carried on by the eligible university entity under the university research contract and who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in which the said fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or partial amount of a qualified expenditure the partnership has paid before 1 January 1996 to the eligible university entity, that may reasonably be considered to be attributable to expenditures made for scientific research and experimental development by the eligible university entity in Québec under the university research contract during the fiscal period.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027 or 1145 where that section refers to section 1027, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Part IV, the amount determined for the year in his 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 taxpayer 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 he is required to make such a payment.”

(2) This section, where it replaces the first paragraph of section 1029.8.7 of the Taxation Act, applies, subject to subsections 4 to 11, in respect of expenditures made for scientific research and experimental development after 30 April 1987.

(3) This section, where it replaces the second paragraph of section 1029.8.7 of the Taxation Act, applies in respect of a payment required to be made after 15 May 1989.

(4) Notwithstanding subsection 2, where the first paragraph of section 1029.8.7 of the Taxation Act, in the version enacted by subsection 1, applies in respect of expenditures made for scientific research and experimental development before 16 December 1987 or in respect of expenditures referred to in subsection 5, the said subsection shall, subject to subsections 7 and 8, be read as follows:

**“1029.8.7** Where a partnership carries on a business in Canada and has entered into a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to the business or class of business of the partnership was carried on by the eligible university entity under the university research contract and who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in which the said fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or partial amount the partnership has paid before 1 January 1993 to the eligible university entity, 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 during the said fiscal period.”

(5) The expenditures to which subsections 4 and 9 refer are expenditures made for scientific research and experimental development after 15 December 1987 and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before

16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(6) For the purposes of paragraph *a* of subsection 5, where expenditures are made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.

(7) Where the first paragraph of section 1029.8.7 of the Taxation Act, in the version enacted by subsection 4, refers to a prescribed linkage agency commissioned by a taxpayer, the said paragraph has effect from 13 May 1988.

(8) Where the first paragraph of section 1029.8.7 of the Taxation Act, in the version enacted by subsection 4, refers to a taxpayer, the said paragraph applies from the taxation year 1988.

(9) Notwithstanding subsection 2, where the first paragraph of section 1029.8.7 of the Taxation Act, in the version enacted by subsection 1, applies in respect of expenditures made for scientific research and experimental development after 15 December 1987, other than expenditures referred to in subsection 5, and before 17 May 1989 or in respect of expenditures made for scientific research

and experimental development after 16 May 1989 in respect of a scientific research and experimental development project the elaboration of which was complete on 17 May 1989 and in respect of which expenditures for scientific research and experimental development were made before that date or the elaboration of which was sufficiently well advanced on 17 May 1989 and in respect of which both an application for an advance ruling has been filed with the Ministère du Revenu on or before 15 June 1989 and a favourable decision on the application of the said first paragraph, where it refers to a qualified expenditure, was rendered by the Ministère du Revenu, the said first paragraph shall be read as follows and subsections 7 and 8 apply adapted as required:

**“1029.8.7** Where a partnership carries on a business in Canada and has entered into a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership was carried on by the eligible university entity under the university research contract and who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in which the said fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or partial amount the partnership has paid before 1 January 1996 to the eligible university entity, 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 during the said fiscal period.”

(10) Where subsections 1 and 9 of this section replace, in the first paragraph of section 1029.8.7 of the Taxation Act, enacted by such subsections, the reference to 1 January 1993 by a reference to 1 January 1996, they apply from 17 May 1989.

**157.** (1) Section 1029.8.7.2 of the said Act, enacted by section 211 of chapter 5 of the statutes of 1989, is amended

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

**“1029.8.7.2** Where a partnership carries on a business in Canada and has entered into a university research contract with an

eligible university entity or has commissioned a prescribed linkage agency to make such a contract, every corporation that is a member of the partnership at the end of a fiscal period of the latter ending after 31 December 1987 during which scientific research and experimental development related to a business of the partnership was carried on by the eligible university entity and that is not a tax exempt corporation but is a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for its 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 before 1 January 1996 to the eligible university entity, 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 during the said fiscal period.”;

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

“Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027 or 1145 where that section refers to 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 the aggregate of its tax payable for the year pursuant to this Part and of its tax payable for the year under Part IV, 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.”

(2) This section, where it replaces the first paragraph of section 1029.8.7.2 of the Taxation Act, applies, subject to subsections 4 to 8, from the taxation year 1988.

(3) This section, where it replaces the third paragraph of section 1029.8.7.2 of the Taxation Act, applies in respect of a payment required to be made after 15 May 1989.

(4) Where the first paragraph of section 1029.8.7.2 of the Taxation Act, in the version enacted by subsection 1, applies in

respect of expenditures made for scientific research and experimental development before 16 December 1987 or in respect of expenditures referred to in subsection 5, the said paragraph shall be read as though the words "related to a business", wherever they appear, were replaced by the words "related to the business or class of business".

(5) The expenditures to which subsection 4 refers are expenditures made for scientific research and experimental development after 15 December 1987 and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(6) For the purposes of paragraph *a* of subsection 5, where expenditures are made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.

(7) Where subsection 1 of this section replaces, in the first paragraph of section 1029.8.7.2 of the Taxation Act, enacted by this section, the reference to 1 January 1993 by a reference to 1 January 1996, it applies from 17 May 1989.

(8) Where the first paragraph of section 1029.8.7.2 of the Taxation Act, in the version enacted by subsection 1, refers to a prescribed linkage agency commissioned by a taxpayer, the said paragraph has effect from 13 May 1988.

**158.** (1) Section 1029.8.9 of the said Act, enacted by section 213 of chapter 5 of the statutes of 1989, is amended

(1) by striking out the second paragraph;

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

“Notwithstanding the third paragraph, where, pursuant to a university research contract entered into before 15 August 1989, an amount has been paid to a prescribed university hospital medical research centre referred to in paragraph *f* of section 1029.8.1 before a favourable advance ruling is given by the Ministère du Revenu regarding the contract, the amount so paid is, for the sole purposes of the first paragraph, deemed to have been paid after a favourable advance ruling was given by the Ministère du Revenu regarding the contract, if

(a) an application for an advance ruling regarding the contract has been filed with the Ministère du Revenu on or before 31 December 1989;

(b) the Ministère du Revenu has given a favourable ruling regarding the contract.”

(2) Paragraph 2 applies in respect of an amount or portion of an amount related to a university research contract entered into after 18 December 1987 and before 15 August 1989.

**159.** (1) The said Act is amended by inserting, after the heading of Division II.3 of Chapter III.1 of Title III of Book IX of Part I, the following section:

**“1029.8.9.1** For the purposes of this division, the expression “qualified expenditure” means an expenditure, in respect of scientific research and experimental development, made by a taxpayer or a partnership and contemplated in subsection 1 of section 222 or



paragraph *a* of section 223, but does not include that contemplated in section 1029.8.15.1.”

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

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

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling has been given by the Ministère du Revenu regarding the application of section 1029.8.9.1 of the Taxation Act, enacted by this section.

**160.** (1) Sections 1029.8.10 and 1029.8.11 of the said Act, enacted by section 213 of chapter 5 of the statutes of 1989, are replaced by the following sections:

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

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027 or 1145 where that section refers to section 1027, the taxpayer is deemed to have paid to the Minister as partial payment of the aggregate of his tax payable for the year pursuant to this Part, and of his tax payable for the year pursuant to Part IV, on the date on or before which each 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.

**“1029.8.11** Where a particular partnership carries on a business in Canada and has made an agreement with a person or a partnership whereby the parties agree to undertake or cause to be undertaken, on their behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, and in respect of which the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1993, or, on or before that date, the scientific research and experimental development contemplated therein were the object of a written agreement made pursuant to a government order recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project, every taxpayer who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership were undertaken and who is not a tax exempt taxpayer within the meaning of paragraph b.1 of section 1029.8.1 or a specified member of the partnership during the said fiscal period, is deemed to have paid to the Minister, for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or part of a qualified expenditure the partnership has made in Québec before 1 January 1996, that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that fiscal period.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027 or 1145 where that section refers to section 1027, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Part IV, the amount determined for the year in his 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 taxpayer 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 he is required to make such a payment.”

(2) This section, where it replaces the first paragraph of sections 1029.8.10 and 1029.8.11 of the Taxation Act, applies subject to subsections 4 to 7, in respect of expenditures for scientific research and experimental development made after 12 May 1988.

(3) This section, where it replaces the second paragraph of sections 1029.8.10 and 1029.8.11 of the Taxation Act, applies in respect of any payment that must be made after 15 May 1989.

(4) Notwithstanding subsection 2, where the first paragraph of sections 1029.8.10 and 1029.8.11 of the Taxation Act, in its version enacted by subsection 1, applies in respect of expenditures for scientific research and experimental development made after 12 May 1988 and before 17 May 1989, it shall, subject to subsection 6, read as follows:

**“1029.8.10** A taxpayer other than a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1, who carries on a business in Canada and has made an agreement with a person or partnership whereby the parties agree to undertake or cause to be undertaken, on their behalf in Québec, scientific research and experimental development, within the meaning of the regulations made pursuant to section 222 and in respect of which the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1990, is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken, as partial payment of his tax payable for the year pursuant to this Part, an amount equal to 40 % of the total or part of the expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, that he has made in Québec and that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that year.

**“1029.8.11** Where a particular partnership carries on a business in Canada and has made an agreement with a person or a partnership whereby the parties agree to undertake or cause to be undertaken, on their behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, and in respect of which the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1990, every taxpayer who is a member of the partnership

at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership were undertaken and who is not a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1 or a specified member of the partnership during the said fiscal period, is deemed to have paid to the Minister, for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or part of the expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223 that the partnership has made in Québec and that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that fiscal period."

(5) Notwithstanding subsection 2, where the first paragraph of sections 1029.8.10 and 1029.8.11 of the Taxation Act, in its version enacted by subsection 1, applies in respect of expenditures for scientific research and experimental development made after 16 May 1989 in respect of a scientific research and experimental development project the preparation of which was terminated on 17 May 1989 and for which expenditures in respect of scientific research and experimental development were made before that date or the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which both an application for an advance ruling was filed with the Ministère du Revenu on or before 15 June 1989 and a favourable ruling has been given by the Ministère du Revenu regarding the application of the said first paragraph where it refers to a qualified expenditure, that first paragraph shall read as follows:

**"1029.8.10** A taxpayer other than a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1, who carries on a business in Canada and has made an agreement with a person or partnership whereby the parties agree to undertake or cause to be undertaken, on their behalf in Québec, scientific research and experimental development, within the meaning of the regulations made pursuant to section 222 and in respect of which the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1993, or, on or before that date, the scientific research and experimental development contemplated therein were the object of a written agreement made pursuant to a government order recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project, is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken, as partial payment

of his tax payable for the year pursuant to this Part, an amount equal to 40 % of the total or part of the expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, that he has made in Québec before 1 January 1996 and that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that year.

**“1029.8.11** Where a particular partnership carries on a business in Canada and has made an agreement with a person or a partnership whereby the parties agree to undertake or cause to be undertaken, on their behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, and in respect of which the Minister of Industry, Trade and Technology has issued a receipt on or before 31 December 1993, or, on or before that date, the scientific research and experimental development contemplated therein were the object of a written agreement made pursuant to a government order recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project, every taxpayer who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership were undertaken and who is not a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1 or a specified member of the partnership during the said fiscal period, is deemed to have paid to the Minister, for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or part of the expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223 that the partnership has made in Québec before 1 January 1996 and that may reasonably be considered to be attributable to such scientific research and experimental development undertaken in that fiscal period.”

(6) Notwithstanding subsections 2 and 4, where the first paragraph of sections 1029.8.10 and 1029.8.11 of the Taxation Act, in its version enacted by subsection 4, applies to the period

(*a*) beginning on 13 May 1988 and ending on 22 June 1988, the expression “Minister of Industry, Trade and Technology” shall be replaced by the expression “Minister of Industry and Commerce”;

(*b*) beginning on 23 June 1988 and ending on 5 July 1988, the expression “Minister of Industry, Trade and Technology” shall be

replaced by the expression “Minister of Industry, Trade and Technological Development”.

(7) This section applies from 17 May 1989 where in the first paragraph of sections 1029.8.10 and 1029.8.11 of the Taxation Act, as enacted by subsections 1 and 5,

(a) it replaces the reference to 31 December 1990 by a reference to 31 December 1993;

(b) it introduces the words “or, on or before that date, the scientific research and experimental development contemplated therein were the object of a written agreement made pursuant to a government order recognizing that such scientific research and experimental development will be undertaken as part of a catalyst project,” and “before 1 January 1996”.

**161.** (1) Sections 1029.8.12 to 1029.8.15, enacted by section 213 of chapter 5 of the statutes of 1989, are repealed.

(2) This section applies in respect of expenditures for scientific research and experimental development made after 16 May 1989 other than such expenditures made in respect of a scientific research and experimental development project the preparation of which was terminated on 17 May 1989 and for which expenditures in respect of scientific research and experimental development were made before that date or the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which both an application for an advance ruling was filed with the Ministère du Revenu on or before 15 June 1989 and a favourable ruling has been given by the Ministère du Revenu regarding the application of sections 1029.8.12 to 1029.8.15 of the Taxation Act, repealed by this section, in which cases the reference, in those sections 1029.8.12 to 1029.8.14, to 1 January 1993 shall be replaced by a reference to 1 January 1996.

**162.** (1) The said Act is amended by inserting, before section 1029.8.16, the following sections:

**“1029.8.15.1** The expenditure to which section 1029.8.9.1 refers is

(a) an expenditure of a current nature incurred by a taxpayer or partnership in respect of the general administration or management of a business, including

i. the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented

toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure;

- ii. a legal or accounting fee;
- iii. an amount referred to in any of sections 147, 148, 160, 161, 163, 176 and 179;
- iv. an entertainment expense;
- v. an advertising or selling expense;
- vi. a convention expense;
- vii. a due or fee in respect of membership in a scientific or technical organization;
- viii. a fine or penalty;

(b) an expenditure of a current nature incurred by a taxpayer or partnership for the maintenance and upkeep of premises, facilities or equipment to the extent that such expenditure is not attributable to the prosecution of scientific research and experimental development;

(c) an expenditure of a capital nature incurred by a taxpayer or partnership to acquire property, other than such an expenditure incurred for the prosecution of scientific research and experimental development or for the provision of premises, facilities or equipment for that purpose that are all or substantially all attributable to such prosecution or provision;

(d) an expenditure of a capital nature incurred by a taxpayer or partnership to acquire a qualified property within the meaning of subsection 9 of section 127 of the Income Tax Act (Statutes of Canada);

(e) an expenditure of a capital nature incurred by a taxpayer or partnership to acquire property where such property has been used or acquired for use or lease, for any purpose whatever, before it was acquired;

(f) an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

(g) an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716;

(*h*) an expenditure of a current or capital nature, to the extent that the taxpayer or partnership having incurred it has received or is entitled to receive a reimbursement in respect thereof from a person resident in Canada, other than

- i. Her Majesty in right of Canada or a province;
- ii. an agent of Her Majesty in right of Canada or a province;

iii. a corporation, commission or association that is controlled, in any manner whatever, by Her Majesty in right of Canada or a province or by an agent of Her Majesty in right of Canada or a province;

iv. a municipality in Canada or a municipal or public body performing a function of government in Canada;

(*i*) an expenditure of a current or capital nature, to the extent that the taxpayer or the partnership having incurred it has received or is entitled to receive a reimbursement in respect thereof from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing his taxable income earned in Canada for a taxation year;

(*j*) an expenditure made in respect of the acquisition or lease of animals, other than laboratory animals within the meaning of the regulations under section 230.0.0.2, or in respect of any other similar kind of transaction regarding such animals.

**“1029.8.15.2** An expenditure referred to in paragraph *a* or *b* of section 1029.8.15.1 does not include an expenditure referred to therein that is incurred by a taxpayer or partnership who or which derives all or substantially all of his or its income from the prosecution of scientific research and experimental development or from the sale of rights in scientific research and experimental development carried on by the taxpayer or partnership, as the case may be, or of rights arising therefrom.”

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

(*a*) the preparation of which was terminated on 17 May 1989 and for which expenditures in respect of scientific research and experimental development were made before that date; or



(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling has been given by the Ministère du Revenu regarding the application of sections 1029.8.15.1 and 1029.8.15.2 of the Taxation Act, enacted by this section.

**163.** (1) Section 1029.8.16 of the said act, enacted by section 213 of chapter 5 of the statutes of 1989, is amended

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

“(b) no amount can be deemed to have been paid by a taxpayer in respect of an expenditure referred to in section 1029.8.10 or 1029.8.11

i. where the agreement contemplated in the said section 1029.8.10 or 1029.8.11 has been the object of a receipt issued by the Minister of Industry, Trade and Technology, if such receipt was not in force or valid at the time when the expenditure was made or at the time when the scientific research and experimental development were undertaken, where the expenditure was made after the date of issue of the receipt or, if the expenditure was made before the date indicated to that effect on the receipt, where the expenditure was made before the date of issue of the receipt;

ii. where the scientific research and experimental development to be undertaken pursuant to the agreement contemplated in the said section 1029.8.10 or 1029.8.11 have been the object of a written agreement contemplated therein, if such written agreement was revoked at the time when the expenditure was made or at the time when the scientific research and experimental development were undertaken or if such scientific research and experimental development have not been undertaken in accordance with that written agreement, taking into account the written amendments, if any, to such written agreement;”;

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

“(c) where scientific research and experimental development have been the object of a written agreement prescribed in section 1029.8.10 or 1029.8.11, such scientific research and experimental development and, where such is the case, such scientific research and experimental development as are covered by such agreement as a result of written amendments thereto are deemed to be scientific

research and experimental development prescribed in that agreement, to the extent that, but for this paragraph, they would not be included in the agreement pursuant to which the written agreement has been made.”

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

**164.** (1) The heading of Division II.4 of Chapter III.1 of Title III of Book IX of Part I of the said Act, enacted by section 213 of chapter 5 of the statutes of 1989, is replaced by the following heading:

“GOVERNMENT ASSISTANCE, NON-GOVERNMENT  
ASSISTANCE, CONTRACT PAYMENT  
AND OTHER MATTERS”.

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

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

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling has been given by the Ministère du Revenu regarding the application of this section.

**165.** (1) Section 1029.8.17 of the said Act, enacted by section 213 of chapter 5 of the statutes of 1989, is amended, in paragraph c,

(1) by replacing subparagraph i by the following subparagraph:

“i. an amount payable by a person resident in Canada or by a person not resident in Canada but carrying on a business in Canada, for scientific research and experimental development, within the meaning of the regulations made pursuant to section 222, related to the business of that person;”;

(2) by replacing the semicolon and the word “or”, at the end of subparagraph ii, by a period;

(3) by striking out subparagraph iii.

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

**166.** (1) Section 1029.8.18 of the said Act, enacted by section 213 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“1029.8.18** For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a taxpayer pursuant to section 1029.7, 1029.8, 1029.8.0.2, 1029.8.6, 1029.8.7, 1029.8.7.2, 1029.8.10 or 1029.8.11, the amount of the wages or of part of the remuneration paid or of a deductible expenditure, as the case may be, shall be reduced, as the case may be, by the amount of any contract payment, government assistance or non-government assistance attributable to the wages or to part of the remuneration paid or to the deductible expenditure, as the case may be, that the taxpayer or, where the taxpayer is a member of a partnership, the partnership of which he is a member, has received, is entitled to receive or can reasonably be expected to receive at the time of filing of his fiscal return for that taxation year.”

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

(a) the preparation of which was terminated on 17 May 1989 and for which expenditures in respect of scientific research and experimental development were made before that date; or

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling has been given by the Ministère du Revenu regarding the application of section 1029.8.18 of the Taxation Act, enacted by this section.

**167.** (1) The said Act is amended by inserting, after section 1029.8.18, the following sections:

**“1029.8.19** Where, in respect of a scientific research and experimental development project contemplated in section 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.10 or 1029.8.11, or in respect of the carrying out thereof, a person or a partnership has obtained, is

entitled to obtain or can reasonably be expected to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee or the proceeds of disposition of a property which exceed the fair market value of that property or in any other form or manner, and it may reasonably be considered that the direct or indirect effect of such benefit or advantage is to compensate or indemnify a party to the project or to otherwise benefit such a party, in any manner whatever, for the purposes of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by the taxpayer pursuant to any of the said sections, the amount of the wages, of the part of the remuneration or of the qualified expenditure shall be reduced by the amount of the benefit or advantage which the person or the partnership has obtained, is entitled to obtain or can reasonably be expected to obtain at the time the taxpayer files his fiscal return for that taxation year.

**“1029.8.20** Where a taxpayer carries on a business in Canada in a taxation year by reason of an arrangement, a transaction or an event, or of a series of arrangements, transactions or events, and it may reasonably be considered that one of the purposes of the arrangement, transaction or event or of the series of arrangements, transactions or events is to enable the taxpayer to carry on the business so as to allow him to be deemed to have paid an amount to the Minister for that taxation year, pursuant to section 1029.7, 1029.8.6 or 1029.8.10, the taxpayer is deemed not to carry on the business in that year by reason of the arrangement, transaction or event or of the series of arrangements, transactions or events unless the taxpayer is, by reason of the arrangement, transaction or event or of the series of arrangements, transactions or events, a partner other than a specified partner.”

(2) This section, where it enacts section 1029.8.19 of the Taxation Act, applies in respect of expenditures for scientific research and experimental development made after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

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

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling has been given by the Ministère du Revenu regarding the application of that section 1029.8.19.

(3) This section, where it enacts section 1029.8.20 of the Taxation Act, applies in respect of expenditures for scientific research and experimental development made after 16 May 1989, other than such expenditures made in respect of a scientific research and experimental development project

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

(b) the preparation of which had reached a sufficiently advanced stage on 17 May 1989 and in respect of which

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

ii. a favourable ruling has been given by the Ministère du Revenu regarding the application of that section 1029.8.20.

**168.** (1) Section 1045 of the said Act is amended by adding, at the end, the following paragraph:

“For the purposes of the first paragraph, the unpaid tax of an individual shall be reduced by the amount of reimbursement or refund to which the individual is entitled for the year under section 220.3 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1), section 78 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) and the Act respecting real estate tax refund (R.S.Q., chapter R-20.1).”

(2) This section applies in respect of fiscal returns that must be filed after 16 May 1989.

**169.** (1) Section 1049.1 of the said Act, replaced by section 130 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“1049.1** Where a corporation stipulates falsely, in its final prospectus or an application for exemption from filing a prospectus relating to a share issue, that the issued shares may be included in a stock savings plan described in section 965.2, it is liable to a penalty equal to 25% of the adjusted cost that would be determined under section 965.6 if the stipulation of the corporation were true, 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.

Where a corporation stipulates, in a final prospectus or an application for exemption from filing a prospectus relating to a share issue, in respect of 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, it is liable to a penalty equal to 25 % of the amount by which the adjusted cost so stipulated in respect of each 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 share.”

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

**170.** (1) The said Act is amended by inserting, after section 1049.1, the following sections:

**“1049.1.0.1** Where a corporation stipulates falsely, in its final prospectus or an application for exemption from filing a prospectus relating to the issue of a convertible security, within the meaning of paragraph *l* of section 965.1, that the share that may be acquired as a result of the exercise of the conversion right conferred upon the holder of the convertible security may be included in a stock savings plan described in section 965.2, and it issues the share, it is liable to a penalty equal to 25 % of the adjusted cost that would be determined under section 965.6 if the stipulation of the corporation were true, of each share distributed in Québec to an individual other than a trust, to an investment group or to an investment fund.

**“1049.1.0.2** Where a corporation stipulates, in its final prospectus or an application for exemption from filing a prospectus relating to the issue of a convertible security, within the meaning of paragraph *l* of section 965.1, in respect of the share that may be acquired as a result of the exercise of the conversion right conferred upon the holder of the convertible security and 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, and it issues the share, it is liable to a penalty equal to 25 % of the amount by which the adjusted cost so stipulated in respect of each share 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 share.”

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

**171.** (1) Section 1049.1.1 of the said Act, enacted by section 130 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“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 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 has effect from 17 May 1989.

**172.** (1) Section 1049.2 of the said Act, replaced by section 131 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“1049.2** Where a corporation described in section 965.11.1 has made a public share issue and it contravenes section 965.11.2 in respect of that public share issue, 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.”

(2) This section applies from 17 May 1989.

**173.** (1) The said Act is amended by inserting, after section 1049.2, the following section:

**“1049.2.0.1** Where a corporation described in section 965.11.1 has made a convertible security issue and it contravenes section 965.11.2 in respect of that convertible security issue, the corporation is liable to a penalty equal to the aggregate of

(a) 25 % of the adjusted cost, determined under section 965.6, of each share that would be issued as a result of the exercise of the conversion right conferred upon the holder of each convertible security issued as part of that convertible security issue, distributed in Québec and outstanding at the expiry of the period mentioned in section 965.11.2 in respect of that convertible security issue, if such right were exercised by a holder at that time; and

(b) 25 % of the adjusted cost, determined under section 965.6, of each share distributed in Québec to an individual other than a trust, to an investment group or to an investment fund, during the period mentioned in section 965.11.2 in respect of that convertible security

issue, as a result of the exercise of a conversion right conferred upon the holder of a convertible security issued as part of that convertible security issue.”

(2) This section applies in respect of a convertible security issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 16 May 1989.

**174.** (1) Section 1049.2.2.0.1 of the said Act, enacted by section 220 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“1049.2.2.0.1** For the purposes of this title, a share contemplated in section 965.9.1.0.1 that is acquired as a result of the exercise of a conversion right conferred upon the holder of a convertible security issued under an exemption from filing a prospectus granted under section 51 of the Securities Act (R.S.Q., chapter V-1.1), or a share contemplated in section 965.9.1.1 that is acquired by an investment fund, is deemed to have been issued with the stipulation that it could be included in a stock savings plan.”

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

**175.** (1) Section 1049.2.2.1 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988 and amended by section 221 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“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 or other than a share that has been the subject of a particular transaction referred to in section 965.11.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.11, it is liable to a penalty equal to the amount determined under the second paragraph.

The amount of the penalty prescribed in the first paragraph in respect of a purchase or redemption is equal to the lesser of the following percentages:



(a) 25 % of the amount obtained by multiplying the amount of the purchase or redemption by the proportion 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 in 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;

(b) 25 % of the adjusted cost of the aggregate of

i. the shares of the capital stock of the corporation that were 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 to an individual other than a trust, to an investment group or to an investment fund;

ii. the shares of the capital stock of the corporation issued in replacement of shares that are not contemplated in subparagraph i, that were 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 to an individual other than a trust, to an investment group or to an investment fund; and

iii. the shares of the capital stock of the corporation issued in replacement of shares, other than shares contemplated in subparagraph ii, issued in substitution for shares, other than shares contemplated in subparagraph i, that were issued, in the year of 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 to an individual other than a trust, to an investment group or to an investment fund."

(2) This section has effect from 17 December 1986.

**176.** (1) Section 1049.2.2.2 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988 and amended by section 222 of chapter 5 of the statutes of 1989, is replaced by the following section:

**“1049.2.2.2** Where shares of the capital stock of a corporation, other than shares that have been the subject of a particular transaction referred to in section 965.11.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.13, 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 the amount determined under the second paragraph 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 in replacement of 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 in replacement of a share issued in substitution for such a share.

The amount of the penalty prescribed in the first paragraph in respect of a transaction or operation or a series of transactions or operations is equal to the lesser of the following percentages:

(a) 25 % of the amount obtained by multiplying the amount determined under section 965.11.15 in respect of the transaction, operation or series of transactions or operations by the proportion 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 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 transaction or operation or series of transactions or operations and before the occurrence thereof or in the two years preceding that year and 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;

(b) 25 % of the adjusted cost of the aggregate of

i. the shares of the capital stock of the corporation issued, in the year of the transaction or operation or series of transactions or operations but before the occurrence of the transaction or operation or series of transactions or operations 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 to an individual other than a trust, to an investment group or to an investment fund;

ii. the shares of the capital stock of the corporation issued in replacement of shares that are not contemplated in subparagraph i, that were issued, in the year of the transaction or operation or series of transactions or operations but before the occurrence of the transaction or operation or series of transactions or operations 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 to an individual other than a trust, to an investment group or to an investment fund; and

iii. the shares of the capital stock of the corporation issued in replacement of shares, other than shares contemplated in subparagraph ii, issued in substitution for shares, other than shares contemplated in subparagraph i, that were issued, in the year of the transaction or operation or series of transactions or operations but before the occurrence of the transaction or operation or series of transactions or operations 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 to an individual other than a trust, to an investment group or to an investment fund.”

(2) This section has effect from 17 December 1986.

**177.** (1) Section 1049.2.2.5 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988 and replaced by section 223 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“1049.2.2.5** Where a corporation 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 in replacement of a share issued with such a stipulation or in replacement of a share issued in substitution for such a share, and the corporation’s net shareholders’ equity 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 that referred to in section 965.11.19 or a particular transaction referred to in section 965.11.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.17, it is liable to a penalty equal to the amount determined under the second paragraph 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.

The amount of the penalty prescribed in the first paragraph in respect of a transaction or operation or a series of transactions or operations is equal to the lesser of the following percentages:

(a) 25 % of the amount obtained by multiplying the amount determined under the second paragraph of section 965.11.17 in respect of the transaction, operation or series of transactions or operations by the proportion 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 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 transaction or operation or series of transactions or operations and before the occurrence thereof or in the two years preceding that year and 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;

(b) 25 % of the adjusted cost of the aggregate of

i. the shares of the capital stock of the corporation issued, in the year of the transaction or operation or series of transactions or operations but before the occurrence of the transaction or operation or series of transactions or operations 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 to an individual other than a trust, to an investment group or to an investment fund;

ii. the shares of the capital stock of the corporation issued in replacement of shares that are not contemplated in subparagraph i, that were issued, in the year of the transaction or operation or series of transactions or operations but before the occurrence of the transaction or operation or series of transactions or operations 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 to an individual other than a trust, to an investment group or to an investment fund; and

iii. the shares of the capital stock of the corporation issued in replacement of shares, other than shares contemplated in

subparagraph ii, issued in substitution for shares, other than shares contemplated in subparagraph i, that were issued, in the year of the transaction or operation or series of transactions or operations but before the occurrence of the transaction or operation or series of transactions or operations 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 to an individual other than a trust, to an investment group or to an investment fund.”

(2) This section has effect from 17 December 1986.

**178.** (1) Section 1049.2.2.9 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988, is amended by replacing the second paragraph by the following paragraph:

“The excess amount contemplated in the first paragraph in respect of a particular penalty relating to a transaction contemplated in any of those sections is the amount by which

(a) 25 % of the aggregate of the adjusted cost of

i. the shares of the capital stock of the corporation issued, in the year of the transaction but before the occurrence thereof 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 to an individual other than a trust, to an investment group or to an investment fund;

ii. the shares of the capital stock of the corporation issued in replacement of shares that are not contemplated in subparagraph i, that were issued, in the year of the transaction but before the occurrence thereof 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 to an individual other than a trust, to an investment group or to an investment fund; and

iii. the shares of the capital stock of the corporation issued in replacement of shares, other than shares contemplated in subparagraph ii, issued in substitution for shares, other than shares contemplated in subparagraph i, that were issued, in the year of the transaction but before the occurrence thereof 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 to an individual other than a trust, to an investment group or to an investment fund; exceeds

(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 in respect of the shares of its capital stock that are mentioned in subparagraph *a*.”

(2) This section has effect from 17 December 1986.

**179.** (1) Section 1049.2.2.10 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988 and replaced by section 225 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“1049.2.2.10** The Minister may cancel or reduce the amount of a penalty that would, but for this section, be determined under any of sections 1049.2.1 to 1049.2.2.5 in respect of a corporation, if he considers that, having regard to all the circumstances, the amount would otherwise be excessive.”

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

**180.** (1) The said Act is amended by inserting, after section 1049.2.2.10, the following section:

**“1049.2.2.11** For the purposes of this Part, except section 1049.2.2.10 and this section, where the Minister reduces to a particular amount the amount of the penalty determined under any of sections 1049.2.1 to 1049.2.2.5 in respect of a transaction, the particular amount is deemed to be the amount determined under that section in respect of the transaction.”

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

**181.** (1) Section 1049.2.4 of the said Act, replaced by section 133 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“1049.2.4** Where a corporation described in section 965.11.6 has made a public share issue and it contravenes section 965.11.7 in respect of that public share issue, 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.”

(2) This section applies from 17 May 1989.

**182.** (1) The said Act is amended by inserting, after section 1049.2.4, the following section:

**“1049.2.4.1** Where a corporation described in section 965.11.6 has made a convertible security issue and it contravenes section

965.11.7, the corporation is liable to a penalty equal to the aggregate of

(a) 25 % of the adjusted cost, determined under section 965.6, of each share that would be issued as a result of the exercise of the conversion right conferred upon the holder of each convertible security issued as part of that convertible security issue, distributed in Québec and outstanding at the expiry of the period mentioned in section 965.11.7 in respect of that convertible security issue, if such right were exercised by a holder at that time; and

(b) 25 % of the adjusted cost, determined under section 965.6, of each share distributed in Québec to an individual other than a trust, to an investment group or to an investment fund, during the period mentioned in section 965.11.7 in respect of that convertible security issue, as a result of the exercise of a conversion right conferred upon the holder of a convertible security issued as part of that convertible security issue.”

(2) This section applies in respect of a convertible security issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 16 May 1989.

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

**“1049.2.8** Where a corporation is, in a year, a corporation described in the first paragraph of section 965.24.2 and it omits to file with the Commission des valeurs mobilières du Québec and the Minister the written notice contemplated in the first paragraph of the said section within the time prescribed, the corporation is liable to a penalty of \$10 a day for every day the omission continues, up to an amount of \$2 500.

**“1049.2.9** Where a corporation is, in a year, authorized to issue shares of its capital stock under an exemption from filing a prospectus granted under subparagraph 2, 3 or 5 of the first paragraph of section 52 of the Securities Act (R.S.Q., chapter V-1.1), with the stipulation that they can be included in a stock savings plan, and it is, in that year, a corporation described in the first paragraph of section 965.24.2, and it omits to file with the Commission des valeurs mobilières du Québec and the Minister the written notice contemplated in the first paragraph of the said section 965.24.2 within the time prescribed, and it should have certified in that notice, had it been filed, that it was, on 30 June of that year, a corporation contemplated in the first paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or

965.11.17 as a result of a transaction other than a particular transaction contemplated in section 965.11.9.1 or 965.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17, and it issues a share under such exemption from filing a prospectus in the year following that year, it is liable to a penalty equal to 25 % of the adjusted cost, determined under section 965.6, of each share distributed in Québec, in the year following that year under the exemption from filing a prospectus, to an individual other than a trust, to an investment group or to an investment fund.

**“1049.2.10** Where a corporation is, in a year, a corporation described in the first paragraph of section 965.24.2 and it certifies falsely in the written notice contemplated in the first paragraph of the said section that, on 30 June of the year, it was not a corporation contemplated in the first paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17, it is liable to a penalty equal to 25 % of the adjusted cost, determined under section 965.6, of each share distributed in Québec, in the year following that year, to an individual other than a trust, to an investment group or to an investment fund under the exemption from filing a prospectus contemplated in the first paragraph of that section.

**“1049.2.11** Where a corporation is, in a year, authorized to issue particular shares of its capital stock under an exemption from filing a prospectus granted under subparagraph 2, 3 or 5 of the first paragraph of section 52 of the Securities Act (R.S.Q., chapter V-1.1), with the stipulation that they can be included in a stock savings plan, and it states falsely, in a final prospectus or an application for exemption from filing a prospectus relating to an exemption from filing a prospectus contemplated in the second paragraph of section 965.9.7.0.1, that shares issued under the prospectus or the exemption can be included in a stock savings plan described in section 965.2, the corporation is liable to a penalty equal to 25 % of the adjusted cost, determined under section 965.6, of each such particular share distributed in Québec, in that part of the year following the date on which the receipt for the final prospectus or the exemption from filing a prospectus mentioned in the second paragraph of section 965.9.7.0.1 was granted, to an individual other than a trust, to an investment group or to an investment fund.”

(2) This section has effect from 16 May 1989.

**184.** (1) Section 1049.4 of the said Act is amended by adding, at the end, the following paragraph:



“The first paragraph does not apply, however, to a replacement for which the only consideration was a share, as a result of a transaction prescribed in section 544, of a share that forms part of a qualified investment during the 24 months following the acquisition of the investment, if the share issued in replacement is a qualified investment.”

(2) This section applies in respect of shares of a qualified corporation replaced after 16 May 1989.

**185.** (1) Section 1049.6 of the said Act, amended by section 134 of chapter 4 of the statutes of 1988 and by section 228 of chapter 5 of the statutes of 1989, is again amended by replacing paragraph *e* by the following paragraph:

“(e) purchase or acquire shares or assets of other corporations, without the approval of the Société de développement industriel du Québec;”.

(2) This section has effect from 17 May 1989. However, where this section amends paragraph *e* of section 1049.6 of the Taxation Act to refer to the purchase or acquisition of assets of other corporations, it applies to qualified investments made after 16 May 1989.

**186.** (1) Section 1049.9 of the said Act is replaced by the following section:

**“1049.9** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), other than a corporation contemplated in section 1049.9.1, no longer operates primarily in one of the sectors of activity prescribed in the regulations made under subparagraph 4 of the first paragraph of section 16 of the said Act during the 24 months following a qualified investment, without the approval of the Société de développement industriel du Québec, it is liable to a penalty equal to 30 % of the total amount of the investment.”

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

**187.** (1) The said Act is amended by inserting, after section 1049.9, the following section:

**“1049.9.1** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), ceases, as a consequence of financial problems, to operate its business during the 24 months following the qualified

investment without the approval of the Société de développement industriel du Québec, the qualified corporation is liable to a penalty of 30 % of the total amount of the investment. ”

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

**188.** (1) Section 1049.10 of the said Act is replaced by the following section:

**“1049.10** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) makes a considerable cash outflow in favour of one of its shareholders, a shareholder of a Québec business investment company which is not a Québec business investment company contemplated in section 4.1 of the said Act, or a person related to any such shareholder during the 24 months preceding the date of a qualified investment in the qualified corporation made by the Québec business investment company or during the 24 months following the date of such an investment, without the approval of the Société de développement industriel du Québec, it is liable to a penalty equal to 30 % of the amount of the cash outflow, but not in excess of 30 % of the total amount of the investment.”

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

**189.** (1) The said Act is amended by inserting, after section 1049.10, the following section:

**“1049.10.1** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), makes a considerable cash outflow to acquire assets of a corporation a shareholder of which is also a shareholder of a Québec business investment company or a person related to that shareholder during the 24 months preceding the date of a qualified investment in the qualified corporation made by the Québec business investment company or during the 24 months following the date of such an investment, without the approval of the Société de développement industriel du Québec, it is liable to a penalty equal to 30 % of the amount of the cash outflow, but not in excess of 30 % of the amount of the investment.”

(2) This section applies in respect of qualified investments made after 16 May 1989.

**190.** (1) Section 1049.11 of the said Act, replaced by section 135 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“1049.11** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) 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 the approval of the Société de développement industriel du Québec, it is liable to a penalty equal to 30 % of the total amount of the investment.”

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

**191.** (1) The said Act is amended by inserting, after section 1049.11.1, the following sections:

**“1049.11.1.1** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), benefits from a qualified investment contemplated in section 12.3 of the said Act and, during the 24 months following the date of the investment, has not paid to employees of an establishment situated in any of the regions listed in the regulations made under subparagraph 8 of section 16 of the said Act at least 75 % of the salaries paid to its employees, it is liable to a penalty equal to 10 % of the total amount of the investment.

**“1049.11.1.2** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), benefits from a qualified investment contemplated in section 12.1 of the said Act and, at the expiry of the time limit fixed in paragraph 2 of the said section 12.1 or, as the case may be, extended by the Société de développement industriel du Québec under paragraph 2 of section 13.2 of the said Act, it does not operate in a sector of activity prescribed in the regulations made under subparagraph 4 of section 16 of the said Act, it is liable to a penalty equal to 30 % of the total amount of the investment.”

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

**192.** (1) Section 1049.11.2 of the said Act is replaced by the following section:

**“1049.11.2** Where a qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), allows an individual other than one of its eligible employees, within the meaning of sections 15.2 and 15.2.1 of the said Act, to acquire a share under a stock ownership plan, within the meaning of section 15.1 of the said Act, it is liable to a penalty equal

to 30 % of the amount determined under section 965.31.1 in respect of that individual.”

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

**193.** (1) The said Act is amended by inserting, after section 1049.11.3, the following section:

**“1049.11.4** Where a research and development corporation, within the meaning of paragraph *b.0.1* of section 965.29, certifies falsely, for a year, in the written notice contemplated in the first paragraph of section 965.34.1, that an expenditure made by it is an expenditure contemplated in paragraph *a* of section 965.33.1 for that year, it is liable to a penalty equal to 25 % of the amount of the expenditure.”

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

**194.** (1) The said Act is amended by inserting, after section 1049.14, the following section:

**“1049.14.1** Where the total amount of issues of permanent shares distributed by all savings and credit unions during the period mentioned in section 965.53 exceeds the amount determined in the said section in respect of that period, La Confédération des caisses populaires et d'économie Desjardins du Québec is liable to a penalty equal to 25 % of the excess amount.”

(2) This section applies in respect of permanent shares issued by savings and credit unions in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 16 May 1989 and which are acquired before 1 January 1992.

**195.** (1) Section 1049.20 of the said Act, enacted by section 232 of chapter 5 of the statutes of 1989, is amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

**“1049.20** Where a corporation has renounced, in accordance with section 726.4.27, an amount under sections 726.4.21 to 726.4.26.2 in respect of expenditures made in a period and all or part of the expenditures in respect of which the corporation has so renounced an amount were not deductible during that period in computing its income under section 222 or 223, the corporation is liable to a penalty equal to”.

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

**196.** (1) The said Act is amended by inserting, after section 1049.20, the following sections:

**“1049.21** Where a corporation described in subparagraph *i.2* of the first paragraph of section 726.4.18 contravenes section 726.4.20.3 in respect of a share issue, it is liable to a penalty equal to 25 % of the total proceeds of the share issue.

**“1049.22** Where a corporation described in subparagraph *i.2* of the first paragraph of section 726.4.18 stipulates falsely, in a final prospectus or an application for an exemption from filing a prospectus relating to a share issue contemplated therein, that the issued shares are deductible under section 726.4.30.1 or 726.4.31, the corporation is liable to a penalty equal to 25 % of the total proceeds of the share issue.

**“1049.23** Where a qualified corporation described in subparagraph *c.4* of the first paragraph of section 726.4.18 is liable to a penalty under section 1049.20, the corporation that has undertaken, in accordance with subparagraph *iv* of subparagraph *c* of the said paragraph, to finance expenditures for scientific research and experimental development carried on in Québec by the qualified corporation or on its behalf is liable to a penalty equal to 25 % of the amount of expenditures contemplated in section 1049.20 that are made by the qualified corporation.

**“1049.24** Where a qualified corporation has informed a share issuer, in accordance with section 726.4.34.1, of the amount of expenditures in respect of which it is deemed to have made, in respect of the share, adjusted expenditures in a year under section 726.4.20.4 and, in that year, all or part of those expenditures were not deductible under section 222 or 223, the share issuer is liable to a penalty equal to 25 % of the amount of those expenditures that were not deductible in computing the income of the qualified corporation under section 222 or 223 and that are not expenditures in respect of which the qualified corporation is liable to a penalty under section 1049.20.

**“1049.25** Notwithstanding sections 1049.21 to 1049.24, where the amount of a particular penalty under any of the said sections in respect of a research and development share issue is greater than the excess amount determined under the second paragraph in respect of that share issue, the amount of the particular penalty shall be reduced to that excess amount.

The excess amount contemplated in the first paragraph in respect of the particular penalty contemplated therein is the amount by which

(a) 25 % of the proceeds of the share issue contemplated therein exceeds

(b) the aggregate of the penalties incurred under sections 1049.21 to 1049.24 before the imposition of the particular penalty.

**“1049.26** The Minister may cancel or reduce the amount of a penalty that would, but for this section, be determined under any of sections 1049.21 to 1049.24 in respect of a corporation, if he considers that, having regard to all the circumstances, the amount would otherwise be excessive.

**“1049.27** For the purposes of this Part, except section 1049.26 and this section, where the Minister reduces to a particular amount the amount of a penalty to which a corporation is liable under any of sections 1049.21 to 1049.24, the particular amount is deemed to be the amount of the penalty to which the corporation is liable under that section.”

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

**197.** Section 1050 of the said Act, replaced by section 138 of chapter 4 of the statutes of 1988 and by section 233 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“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 1049.27 is on the Minister.”

**198.** (1) Section 1051 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The Minister shall, however, make the refund contemplated in the first paragraph, if the taxpayer applies for it

(a) within the three years following the end of the taxation year concerned;

(b) within the four years following the end of the taxation year concerned where the taxpayer is, at the end of that year, a mutual fund trust or a corporation other than a Canadian-controlled private corporation;

(c) within the six years or seven years, as the case may be, following the taxation year concerned where paragraph a.1 of subsection 2 of section 1010 applies.”

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

**199.** (1) Section 1053 of the said Act, amended by section 139 of chapter 4 of the statutes of 1988 and by section 235 of chapter 5 of the statutes of 1989, is again amended by replacing what precedes paragraph *a* by the following:

**“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, from the deduction of an amount relating to a subsequent taxation year and contemplated in paragraphs *b* to *f* of section 1012.1, or from the deduction of an amount relating to a preceding taxation year and contemplated in section 727 where that deduction is claimed after the expiry of the period prescribed in section 1000 which is applicable to the taxation year, is deemed to have been paid to the Minister on the latest of the following dates:”.

(2) This section applies in respect of an application for a carry-over of loss made after 16 May 1989.

**200.** (1) The said Act is amended by inserting, after section 1053.1, the following section:

**“1053.2** Where, by virtue of section 771.5.1, an overpayment of tax by an eligible corporation within the meaning of sections 771.5 to 771.7 for a taxation year has been refunded or applied to another liability, its tax payable under this Part for the taxation year is, for the purpose of computing interest to be paid under section 1052 in respect of that part of the period contemplated therein preceding the time when the corporation filed the return referred to therein in accordance with section 771.5.1, deemed to be equal to the tax the corporation would have been required to pay had it not been an eligible corporation within the meaning of sections 771.5 to 771.7.”

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

**201.** (1) Section 1060 of the said Act is replaced by the following section:

**“1060.** Section 1057 does not apply to the reassessment contemplated in section 1059 or to an assessment issued following a waiver contemplated in subparagraph ii of paragraph *b* of subsection 2 of section 1010, unless the waiver was made within the period during which the Minister may reassess or make an additional assessment under paragraph *a*, *a.0.1* or *a.1* of subsection 2 of section 1010, as the case may be.”

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

**202.** (1) Section 1061 of the said Act is replaced by the following section:

**“1061.** A reassessment made by the Minister pursuant to section 1059 is not invalid by reason only of not having been made within the period during which the Minister may reassess or make an additional assessment under paragraph *a*, *a.0.1* or *a.1* of subsection 2 of section 1010, as the case may be.”

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

**203.** (1) Section 1066.1 of the said Act is replaced by the following section:

**“1066.1** No appeal under section 1066 may be instituted in respect of an assessment issued by the Minister following a waiver contemplated in subparagraph ii of paragraph *b* of subsection 2 of section 1010, unless the waiver was made within the period during which the Minister may reassess or make an additional assessment under paragraph *a*, *a.0.1* or *a.1* of subsection 2 of section 1010, as the case may be.”

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

**204.** Section 1132.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“1132.1** Every corporation contemplated in section 1131 shall add to its tax payable contemplated in section 1132 for a taxation year ending after 1 May 1986 but before 17 May 1989, an amount equal to 7.25 % of that tax.”

**205.** The said Act is amended by inserting, after section 1132.1, the following section:

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

Notwithstanding the foregoing, if the taxation year includes 16 May 1989, the amount to be added under this section shall be equal to the aggregate of

(*a*) the proportion of the amount that would be added under the first paragraph of section 1132.1, if that section applied to that



taxation year, that the number of days in the year preceding 17 May 1989 is of the number of days in the year, and

(b) the proportion of the amount that would otherwise be added under the first paragraph that the number of days in the year following 16 May 1989 is of the number of days in the year."

**206.** (1) Section 1135 of the said Act is replaced by the following section:

**"1135.** In no case can the tax payable by a corporation other than a farming corporation, a corporation whose activities consist mainly in carrying on a fishing business, a corporation that operates only an international financial centre, a tax exempt corporation under sections 1143 and 1144 or the corporation governed by the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1) be less than \$112 nor can the tax payable by a farming corporation or a corporation whose activities consist mainly in carrying on a fishing business be less than \$56."

(2) This section applies to taxation years ending after 16 May 1989.

**207.** (1) Section 1137 of the said Act is amended by inserting, after paragraph b, the following paragraph:

"(b.1) the amount of its deferred tax debit shown in the balance sheet submitted to the shareholders;"

(2) This section applies to taxation years ending after 16 May 1989.

**208.** (1) Section 1138 of the said Act is amended by inserting, after subsection 2, the following subsections:

"(2.1) Commercial paper other than that held, without interruption, by the corporation throughout the 120 days immediately preceding the end of its taxation year and issued with an indeterminate term or with a term of 120 days or more is deemed not to be loans and advances to other corporations, a partnership or a joint venture.

"(2.2) No reduction of the paid-up capital shall be permitted under subsection 1 in respect of a loan or an advance if it is established that the loan or advance was made as part of a series of loans or advances and repayments or transactions with a view to unduly reducing the paid-up capital."

(2) This section applies to taxation years ending after 16 May 1989. However, where the taxation year includes 16 May 1989, subsection 2.1 of section 1138 of the Taxation Act, enacted thereby, shall be read as follows:

“(2.1) Commercial paper is deemed not to a loan or advance to an other corporation, a partnership or a joint venture, except

(a) such paper held, without interruption, by the corporation throughout the 120 days immediately preceding the end of its taxation year and issued with an indeterminate term or with a term of 120 days or more;

(b) such paper held, without interruption, by the corporation throughout a period of less than 120 days immediately preceding the end of its taxation year and issued or with a term of 120 days or more, to the extent that the total amount of the commercial paper does not exceed the total amount of that held by the corporation on 16 May 1989 and issued for a term of 120 days or more.”

**209.** The said Act is amended by inserting, after section 1138.2, the following section:

“**1138.3** The paid-up capital, for a taxation year, of 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) is reduced by an amount equal to its paid-up capital for that year, computed before the application of this section.

Notwithstanding the foregoing, if the taxation year includes 16 May 1989, the paid-up capital of the corporation is reduced by an amount equal to the proportion of its paid-up capital computed before the application of this section that the number of days in the year following 16 May 1989 is of the number of days in the year.”

**210.** (1) The said Act is amended by inserting, after section 1141.2, the following section:

“**1141.2.1** Every corporation contemplated in this Title may, in computing its paid-up capital, deduct the amount of its deferred tax debit shown in its financial statements contemplated in section 1131.”

(2) This section applies to taxation years ending after 16 May 1989.

**211.** (1) Section 1160 of the said Act, amended by section 239 of chapter 5 of the statutes of 1989, is again amended by replacing the first and second subsections by the following subsections:

**“1160.** (1) Every corporation which, at any time in a taxation year, refines petroleum in Québec or allows its installations in Québec to be used for that purpose shall pay, for that year, in addition to the tax provided for in Part IV, an additional tax of 1 % of the amount of its paid-up capital established in accordance with sections 1131 and 1136 to 1138 and reduced in the proportion that the cost to it, at the end of the year, of the aggregate of each beneficiation unit for residual heavy oils, within the meaning of the regulations, called in this Part a “unit”, each prescribed improvement, the cost of which, determined without reference to subsection 4, exceeds the amount prescribed, to an existing installation and each new prescribed plant situated in Québec and which it owns at the end of the year is of the amount of its assets referred to in subsections 3 and 4 of section 1138.

The same applies to every corporation that is not contemplated in the first paragraph and that, in a taxation year, has an establishment in Québec where it sells petroleum or a prescribed fuel if, during the year, it refines petroleum outside Québec or allows its installations outside Québec to be used for that purpose or is related to a corporation that refines petroleum or allows its installations to be used for that purpose.

(2) For the purposes of subsection 1, where a corporation, at the end of the year, has an interest in a partnership the end of whose fiscal period coincides with the end of the taxation year of the corporation or, as the case may be, immediately precedes the end of that taxation year and where, at the end of that fiscal period of the partnership, the latter owns a unit, a prescribed improvement, the cost of which, determined without reference to subsection 4, exceeds the amount prescribed, to an existing installation or a new prescribed plant situated in Québec, the corporation shall include, in the cost used to reduce the paid-up capital referred to in that subsection 1, the proportion of the cost of such unit, prescribed improvement to an existing installation and new prescribed plant to the partnership, at the end of that fiscal period of the partnership, that the share of the corporation in the profits or losses of the partnership is of the shares of all persons in those profits or losses.”

(2) This section, where it replaces the second paragraph of subsection 1 of section 1160 of the Taxation Act, has effect from 2 May 1986 and, where it replaces the first paragraph of subsection 1 and subsection 2 of the said section, applies from the taxation year 1988.

**212.** (1) Section 1165 of the said Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of the first paragraph, section 1027 applies as if subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 were read without reference to the figure and word “112 % of ” wherever they appear.”

(2) This section applies in respect of any payment to be made by a corporation after 15 May 1989 for taxation years ending after 16 May 1989.

**213.** (1) Section 1175 of the said Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of the first paragraph, section 1027 applies as if subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 were read without reference to the figure and word “112 % of ” wherever they appear.”

(2) This section applies in respect of any payment to be made by an insurance corporation after 15 May 1989 for a twelve-month period ending after 16 May 1989.

**214.** (1) Section 79.10 of the Licenses Act (R.S.Q., chapter L-3), amended by section 148 of chapter 4 of the statutes of 1988, is again amended

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

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

“(d) “blueberry-based alcoholic beverage” means an alcoholic beverage not less than 60 % of the alcoholic content of which is obtained by the alcoholic fermentation of blueberries or which contains not less than 80 %, by volume of the end product, juice extracted from blueberries, but does not include a flavoured blueberry-based alcoholic beverage obtained by the addition of flavouring materials and containing not less than 1.5 % nor more than 7 % alcohol by volume.”

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

**215.** (1) Section 79.11 of the said Act, amended by section 149 of chapter 4 of the statutes of 1988, is again amended

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

“(d) as regards any alcoholic beverage he acquires, except cider, beer or a blueberry-based alcoholic beverage, 9 % of the sales price in force at that time at the supplier’s;”;

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

“(e) as regards any alcoholic beverage he makes and sells for consumption in his establishment, except cider, beer or a blueberry-based alcoholic beverage, 9 % of the average sales price determined by regulation, in force at the time of the sale.”

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

**216.** (1) Section 13 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by replacing the third and fourth paragraphs by the following paragraphs:

“When that certificate is filed in the office of the court of competent jurisdiction, the prothonotary or clerk, as the case may be, shall enter on the back of the certificate the date of its filing and shall render judgment in favour of the Deputy Minister for the amount contemplated in the certificate and for costs against the person bound to pay the debt concerned.

Such judgment shall be equivalent to a judgment rendered by a competent court and shall have all effects thereof, except in respect of interest on the amount granted, which shall be computed at the rate fixed in section 28 and capitalized daily.”

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

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

“**14.** Before distributing the property under his control, every assignee, liquidator, administrator, testamentary executor or any other person who winds up, administers or controls the property, business, succession or income of another person, with the exception of a trustee in bankruptcy, shall give the Minister written notice, by registered or certified letter, of his intention to make such distribution; in the case of a succession, the notice shall be given by means of the prescribed form.”

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

**218.** (1) Sections 14.1, 14.2 and 14.3 of the said Act are repealed.

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

**219.** (1) Section 54 of the said Act is replaced by the following section:

**“54.** Before any coupon or share warrant, representing interest or dividends payable by any debtor, or a cheque representing interest or dividends payable by a non-resident debtor is negotiated by a person residing in Québec or on his behalf, a certificate of ownership in prescribed form must be furnished to the debtor or the paying agency by such person or on his behalf.

The application of the first paragraph may be extended, by regulation, to coupons and share warrants negotiated by non-resident persons or on their behalf.”

(2) This section has effect from 1 October 1989.

**220.** (1) Section 55 of the said Act is replaced by the following section:

**“55.** A debtor or a paying agency to whom the certificate of ownership required by section 54 is furnished must issue it in the manner and at the time and place prescribed.

A regulation made under the first paragraph may, if it so provides, apply to a period preceding its publication.”

(2) This section has effect from 1 October 1989.

**221.** Section 56 of the said Act is repealed.

**222.** Section 57 of the said Act is repealed.

**223.** (1) Section 59 of the said Act is amended by adding the following paragraph:

“Every person who fails to furnish the certificate of ownership required by section 54, who fails to issue the certificate in the manner and at the time and place prescribed or who cashes a coupon or security for which a certificate of ownership has not been furnished is liable to a fine of \$50.”

(2) This section has effect from 1 October 1989.

**224.** (1) Section 61 of the said Act is again replaced by the following section:

**“61.** Every person who contravenes section 20, subsection 1 or 2 of section 34, any of sections 35 to 35.5, 38, 39 and 43, section 1015 of the Taxation Act (R.S.Q., chapter I-3) or section 59 or 63 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is guilty of an offence and liable, in addition to any other penalty provided in this Act, to a fine of \$200 to \$10 000 or to both the fine and imprisonment for a term not exceeding six months.”

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

**225.** Section 34 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5), amended by section 156 of chapter 4 of the statutes of 1988, is again amended by replacing the second paragraph by the following paragraph:

“Where wages are paid or deemed paid after 16 May 1989, the amount determined under the first paragraph in respect of such wages shall be increased by 12 %.”

**226.** (1) Section 8 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1), replaced by section 258 of chapter 5 of the statutes of 1989, is again replaced by the following section:

**“8.** The amount in excess mentioned first in section 7 must not be greater than \$1 050.”

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

**227.** (1) Section 10 of the said Act, replaced by section 169 of chapter 4 of the statutes of 1988 and amended by section 259 of chapter 5 of the statutes of 1989, is again amended by replacing subparagraphs *a* to *c* of the first paragraph by the following subparagraphs:

“(a) \$7 250 if the person contemplated in section 2 has a spouse and a dependent person during the year;

“(b) \$6 280 if the person contemplated in section 2 has no spouse, but has a dependent person during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment within the meaning of section 1 of the Taxation Act (R.S.Q., chapter I-3) in which no person other than the person contemplated in section 2 or a dependent person lives during the year;

“(c) \$5 300 if the person contemplated in section 2 is not contemplated in subparagraphs *a* and *b*, and has a dependent person during the year; and”.

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

**228.** (1) Section 10.2 of the said Act, replaced by section 171 of chapter 4 of the statutes of 1988 and amended by section 261 of chapter 5 of the statutes of 1989, is again amended by striking out paragraphs *b* and *c*.

(2) This section applies in respect of the computation of real estate tax refunds for the year 1989 and for subsequent years.

**229.** Section 14.2 of the said Act, enacted by section 173 of chapter 4 of the statutes of 1988 and replaced by section 262 of chapter 5 of the statutes of 1989, is amended by replacing the first paragraph by the following paragraph:

**“14.2** The amounts of \$7 250, \$6 280 and \$5 300 mentioned in section 10 must be indexed annually so that each of these amounts to be used for a taxation year subsequent to 1990 becomes that obtained by adding to that amount the amount obtained by multiplying by the same ratio as that prescribed for the purposes of section 752.0.20 of the Taxation Act (R.S.Q., chapter I-3) for the taxation year contemplated therein corresponding to that subsequent year, the amount that would have been applicable for that subsequent year but for this section.”

**230.** (1) The Telecommunications Tax Act (R.S.Q., chapter T-4) is amended by inserting, after section 4, the following section:

**“4.1** The tax prescribed in section 4 is not imposed on the rent of a telecommunications service used directly and solely for the provision, by an operator, of any other telecommunications service the rent of which is subject to the tax imposed by this Act.”

(2) The exemption provided for in this section applies in respect of the rent of telecommunications services provided after 16 May 1989.

**231.** Subsection 10 of section 86 of the Act to amend the Taxation Act and other legislation and to make certain provisions respecting retail sales tax (1989, chapter 5) is amended

(1) by replacing paragraph *b* of section 726.4.43 of the Taxation Act, enacted by the said subsection 10, by the following paragraph:

“(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 13 May 1988 with an eligible university entity, whereunder the latter binds itself to make in Québec, before 1 January 1996, on behalf of the individual or the partnership, expenditures in respect of scientific research and experimental development directly undertaken by the entity, related to a business of the individual or partnership or of the other partnership or the taxpayer contemplated in the third paragraph of section 726.4.50 to whom or which the partnership is related, where the latter are entitled to exploit the results thereof;”;

(2) by replacing paragraph *d* of the said section 726.4.43, enacted by the said subsection 10, by the following paragraph:

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

**232.** Section 88 of the said Act is amended by replacing subsection 2 by the following subsection:

“(2) This section applies in respect of a retroactive disability pension payment received after 31 December 1984.”

**233.** Sections 197, 198, 216, 217, 236 and 252 of the said Act are amended by replacing subsection 2 of each of such sections by the following subsection:

“(2) This section has effect from 1 January 1985.”

**234.** This Act comes into force on (*insert here the date of assent to this Act*).