

NATIONAL ASSEMBLY

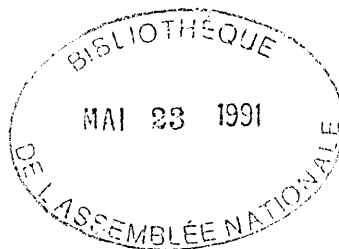
FIRST SESSION

THIRTY-FOURTH LEGISLATURE

Bill 136

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

Introduction



**Introduced by
Mr Raymond Savoie
Minister of Revenue**

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EXPLANATORY NOTES

The principal object of this bill is to bring the fiscal legislation of Québec into harmony with that of Canada. To that end, it gives effect to the measures of harmonization contained mainly in the Budget Speeches made by the Minister of Finance on 16 May 1989, 26 April 1990 and 2 May 1991 and, secondarily, particularly in the Minister's Statements of the said Minister on 22 December 1988 and 19 December 1989 and in his communiqués of 10 February 1989 and 18 October 1989.

First, this bill amends the Act respecting certain caisses d'entraide économique to repeal a provision that has become obsolete.

Secondly, it amends the Taxation Act in order to introduce amendments similar to those introduced into the Income Tax Act of Canada, in particular by federal Bills C-28 (S.C. 1990, chapter 39), C-52 (S.C. 1990, chapter 35) and C-62 (S.C. 1990, chapter 45), assented to on 23 October 1990, 27 June 1990 and 17 December 1990, respectively.

These amendments regard the following matters in particular:

(1) the benefits derived from certain counselling services provided to an employee by his employer;

(2) the judicial and extrajudicial expenses that may be deducted in computing the income of a taxpayer, and certain amounts that are awarded or reimbursed to him in respect of those expenses;

(3) the yearly inclusion, in computing income, of investment income accrued on certain life insurance policies and of interest accrued on certain investment contracts;

(4) the introduction of rules concerning the leasing of property;

(5) the deduction, in computing the income of a taxpayer, of an amount equal to the federal family allowances and old age security

benefits that he is required to pay back under the Income Tax Act of Canada;

(6) the deduction for handicapped workers;

(7) the provisions relating to the sale of breeding animals on account of drought;

(8) the reduction in the deductible amount, in computing taxable income, relating to the special federal tax applicable in respect of certain dividends paid on taxable preferred shares;

(9) the rules deriving from the federal reform of tax assistance for retirement saving;

(10) the adjustments required following the coming into force of the federal goods and services tax;

(11) securities lending and dividend rental arrangements;

(12) the increase in tax paid in advance by a person not resident in Canada and in the at-source withholding applicable, with respect to the disposition by such a person of taxable Québec property.

Thirdly, it amends the Act respecting the Québec Pension Plan in order to provide for the rates of contribution applicable for the years 1992 to 1996.

Fourthly, it amends the Supplemental Pension Plans Act in order to make adjustments that have become necessary following the federal reform of tax assistance for retirement saving.

Fifthly, it amends the Act respecting supplemental pension plans in order to make an adjustment that has become necessary following the federal reform of tax assistance for retirement saving.

Sixthly, it amends the Act respecting the sociétés d'entraide économique in order to repeal various provisions that have become obsolete.

Seventhly, it amends the Act to amend the Courts of Justice Act with respect to the pension plans of the judges of the Court of Québec (1990, chapter 44) in order to make an adjustment that has become necessary following the federal reform of tax assistance for retirement saving.

Lastly, it amends the Act to again amend the Taxation Act and other fiscal legislation (1990, chapter 59) in order to make various technical adjustments.

ACTS AMENDED BY THIS BILL:

(1) The Act respecting certain caisses d'entraide économique (R.S.Q., chapter C-3.1);

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

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

(4) the Supplemental Pension Plans Act (R.S.Q., chapter R-15.1);

(5) the Act respecting supplemental pension plans (R.S.Q., chapter R-17);

(6) the Act respecting the sociétés d'entraide économique (R.S.Q., chapter S-25.1);

(7) the Act to amend the Courts of Justice Act with respect to the pension plans of the judges of the Court of Québec (1990, chapter 44);

(8) the Act to again amend the Taxation Act and other fiscal legislation (1990, chapter 59).

Bill 136

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

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. Section 123 of the Act respecting certain caisses d'entraide économique (R.S.Q., chapter C-3.1) is repealed.

2. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 3 of chapter 59 of the statutes of 1990 and section 13 of chapter (*insert here the chapter number of Bill 107*) of the statutes of (*insert here the year of assent to Bill 107*), is again amended

(1) by replacing the definition of "retiring allowance" by the following definition:

"retiring allowance" means an amount, other than an amount received as the consequence of the death of an employee, a pension benefit or a benefit referred to in the third paragraph of section 38 in respect of counselling services described therein, received by a taxpayer or, after his death, by a dependent or a relative of the taxpayer or by the legal representative of the taxpayer

(a) upon or after retirement of the taxpayer from an office or employment in recognition of his long service, or

(b) in respect of the loss of an office or employment of the taxpayer, whether or not received as, on account of or in lieu of damages or pursuant to an order or judgment of a competent tribunal;"

(2) by inserting, after the definitions of “dividend” and “stock dividend”, the following definition:

““dividend rental arrangement” of a person means any arrangement entered into by the person where it may reasonably be considered that the main reason for the person entering into the arrangement is to enable the person to receive a dividend on a share of the capital stock of a corporation, other than a dividend on a prescribed share or a share described in section 21.6.1 or an amount deemed, by reason of the first paragraph of section 119, to be received as a dividend on a share of the capital stock of a corporation, and under the arrangement someone other than that person enjoys the opportunity for profit or gain or bears the risk of loss with respect to the share in any material respect;”;

(3) by inserting, before the definition of “advocate”, the following definition:

““additional voluntary contribution” to a registered pension plan means a contribution that is made by a member to the plan, that is used to provide benefits under a money purchase provision, within the meaning of section 965.0.1, of the plan and that is not required as a general condition of membership in the plan;”;

(4) by replacing the definition of “qualified business” by the following definition:

““qualified business”, in respect of any business carried on by a taxpayer resident in Canada, means any business carried on by the taxpayer other than a specified investment business or a personal services business;”;

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

““retirement income fund” means an arrangement described in paragraph *f* of subsection 1 of section 146.3 of the Income Tax Act (Statutes of Canada);”;

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

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

(7) by replacing, in the French text, the definition of “police collective d’assurance temporaire sur la vie” by the following definition:

“« police collective d’assurance temporaire sur la vie », relativement à un contribuable, signifie une police collective d’assurance sur la vie en vertu de laquelle aucun montant n’est à payer à une personne autre que le détenteur de la police, par suite des cotisations faites en vertu de la police par l’employeur du contribuable, avant le décès ou l’invalidité du contribuable;”;

(8) by replacing, in the French text, the definition of “prestation en vertu d’un régime d’intéressement différé” by the following definition:

“« prestation en vertu d’un régime de participation différée aux bénéfices » reçue par un contribuable dans une année d’imposition signifie le total de tous les montants qu’il reçoit d’un fiduciaire dans l’année en vertu du régime, moins tout montant admissible en déduction en vertu des articles 883 et 884 lors du calcul du revenu du contribuable pour l’année;”;

(9) by inserting, after the definitions of “retirement income fund”, “deferred amount” and “registered home ownership savings plan”, the following definitions, respectively:

““retirement savings plan” has the meaning assigned by subsection 1 of section 146 of the Income Tax Act (Statutes of Canada);”;

““deferred profit sharing plan” has the meaning assigned by section 870;”;

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

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

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

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

““registered retirement plan” means an employees’ superannuation plan accepted before 1 January 1986 by the Minister for registration for the purposes of this Part in respect of its constitution and operations for the taxation year under consideration;”;

(12) by replacing paragraph *b* of the definition of “gross revenue” by the following paragraph:

“(b) all amounts, other than amounts referred to in paragraph *a*, included in computing the taxpayer’s income from a business or property for the year by virtue of sections 89, 92, 92.1 or 92.9 to 92.19;”;

(13) by inserting, after the definition of “former business property”, the following definition:

““goods and services tax” means the tax payable under Part IX of the Excise Tax Act (Statutes of Canada);”.

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

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

(4) Paragraphs 3 and 11 of subsection 1 have effect from 1 January 1986.

(5) Paragraph 4 of subsection 1 applies from the taxation year 1989.

(6) Paragraphs 5, 6, 8 and 10 of subsection 1 and paragraph 9 of the said subsection, where it enacts the definitions of “retirement savings plan” and “deferred profit sharing plan”, have effect from 1 January 1991.

(7) Paragraph 9 of subsection 1, where it enacts the definition of “registered pension plan”, has effect from 1 January 1986. However, where the said definition applies after 31 December 1985 and before 1 January 1989, it shall read as follows:

““registered pension plan” means an employees’ superannuation plan accepted by the Minister for registration for the purposes of this Part in respect of its constitution and operations for the taxation year under consideration;”.

(8) Paragraph 12 of subsection 1 applies in respect of investment contracts or life insurance policies acquired or materially altered after 31 December 1989.

(9) Paragraph 13 of subsection 1 has effect from 1 January 1991.

3. (1) Section 2.2 of the said Act is replaced by the following section:

“2.2 For the purposes of paragraphs *a* and *b* of section 312, sections 313 to 313.0.5, paragraphs *a* and *b* of subsection 1 and subsection 2 of section 336, sections 336.1 to 336.4, section 454, section 913, subparagraph *b* of the second paragraph of section 961.17 and sections 965.0.9, 965.0.11 and 971.1, the expressions “spouse” and “former spouse” include a spouse or former spouse who is a party to an annulled or annulable marriage, as the case may be.”

(2) This section has effect from 1 January 1988. However, section 2.2 of the Taxation Act, enacted by this section, shall read

(*a*) as if a reference to paragraph *d* of section 339 of the said Act were added thereto where that paragraph *d* applies to the taxation year 1990 in respect of amounts paid after 6 June 1990;

(*b*) as if a reference to paragraph *d* of the second paragraph of section 961.6 of the said Act were added thereto where that paragraph *d* applies before 1 January 1991;

(*c*) without reference to sections 965.0.9 and 965.0.11 of the said Act where those sections apply in respect of amounts transferred before 1 January 1989.

4. (1) The said Act is amended by inserting, after section 2.2, the following section:

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

(*a*) where the rights provided for in the document or contract are rights provided for by the pension plan or are rights to a payment or payments out of the pension plan, any payment under the document or contract is a payment out of or under the pension plan and the taxpayer is deemed not to have received an amount out of or under a pension plan when the document was issued or the contract was entered into;

(*b*) where the rights created or established by the document or contract are not rights provided for by the pension plan or rights to

a payment or payments out of the pension plan, the taxpayer is deemed to have received an amount out of or under the pension plan equal to the value of the rights created or established by the document or contract when the document was issued or the contract was entered into.”

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

5. (1) The said Act is amended by inserting, after section 21.27, the following:

“CHAPTER XI

“TRANSFER OR LENDING OF SECURITIES

“21.28 In this chapter,

“securities lending arrangement” means an arrangement, other than an arrangement one of the main purposes of which may reasonably be considered to be to avoid or defer the inclusion in income of any profit or gain with respect to a qualified security, under which

(a) a person, in this chapter referred to as the “lender”, transfers or lends at any particular time a qualified security to another person, in this chapter referred to as the “borrower”, with whom the lender deals at arm’s length,

(b) it may reasonably be expected, at the particular time, that the borrower will, later, transfer or return to the lender a security, in this chapter referred to as an “identical security”, that is identical to the security transferred or lent to him by the lender at the particular time,

(c) the borrower is obligated to pay to the lender, as compensation for each dividend paid on the security after the particular time but before an identical security is transferred or returned to the lender, an amount equal to that dividend, and

(d) the lender’s opportunity for gain or profit or risk of loss with respect to the security is not changed in any material respect;

“qualified security” means

(a) a share of a class of the capital stock of a corporation that is listed on a prescribed stock exchange or of a class of the capital stock

of a corporation that is a public corporation by reason of the designation of the class for the purposes of clause A or B of subparagraph ii of paragraph *g* of subsection 1 of section 89 of the Income Tax Act (Statutes of Canada),

(*b*) a bond, debenture, note or similar obligation issued by a corporation described in paragraph *a* or by a corporation that is controlled by such a corporation,

(*c*) a bond, debenture, note or similar obligation issued or guaranteed by the government of any country, province, state, municipality or other political subdivision, or by a corporation, commission, agency or association controlled by such a government, or

(*d*) a warrant, right, option or similar instrument with respect to a share described in paragraph *a*.

“21.29 For the purposes of this Part, subject to sections 21.30 and 21.31, any transfer or loan by a lender of a security under a securities lending arrangement is deemed not to be a disposition of the security and the security is deemed to continue to be property of the lender.

For the purposes of this section, a security is deemed to include an identical security that has been transferred or returned to the lender under a securities lending arrangement.

“21.30 For the purposes of this Part, where, at any time, a lender receives property in satisfaction of or in exchange for his right to receive the transfer or return of an identical security under a securities lending arrangement and the property received at that time is neither an identical property nor an amount deemed, under section 21.31, to have been received as proceeds of disposition, the following rules apply:

(*a*) subject to paragraph *b*, the lender is deemed to have disposed, at that time, of the security initially transferred or lent for proceeds of disposition equal to the fair market value of the property received as consideration for the disposition of the right, other than any portion of the proceeds that is deemed to have been received by the lender as a taxable dividend;

(*b*) Division XIII of Chapter IV of Title IV of Book III, Division VI of Chapter IV of Title IX of Book III and Chapters V and VI of Title IX of Book III, as the case may be, apply in computing the income of the lender with respect to a disposition referred to in paragraph

a as if the security initially transferred or lent had continued to be property of the lender and the lender had received the property directly.

“21.31 Where, at any time, it may reasonably be considered that a lender would have received proceeds of disposition for a security that was transferred or lent under a securities lending arrangement had the security not been so transferred or lent, the lender is deemed to have disposed of the security at that time for an amount equal to such proceeds.

“21.32 For the purposes of this Part, any amount received as compensation for a taxable dividend paid on a qualified security that is a share of the capital stock of a public corporation is, to the extent of the amount of such dividend, deemed to have been received from the corporation as a taxable dividend on the share, if it has been received

(a) under a securities lending arrangement from a person resident in Canada, or a person not resident in Canada where, in the latter case, the amount was paid in the course of carrying on business in Canada through an establishment, or

(b) from or by a person resident in Canada who is registered or licensed under the laws of a province to trade in securities where the amount is received or paid, as the case may be, in the ordinary course of the business of trading or dealing in securities carried on by that person.

However, the first paragraph does not apply in respect of an amount received

(a) as proceeds of disposition of a property, or

(b) by a corporation under an arrangement where it may reasonably be considered that one of the main reasons for the corporation entering into the arrangement was to enable it to receive an amount that would, but for this subparagraph, have been deemed, under this section, to be a dividend.

“21.33 No deduction shall be made by a taxpayer in computing his income from a business or property, in respect of an amount that, if paid, would be deemed under section 21.32 to have been received by another person as a taxable dividend.

“CHAPTER XII

“GOODS AND SERVICES TAX

“21.34 For the purposes of this Part, where a liability for the goods and services tax is incurred in respect of a change of use at any time of a property, the liability so incurred is deemed to have been incurred immediately after that time in respect of the acquisition of the property.

“21.35 For the purposes of this Part, except section 58.2 and this section, an amount claimed by a taxpayer as an input tax credit or rebate with respect to the goods and services tax in respect of a property or service is deemed to be assistance from a government in respect of the property or service that is received by the taxpayer

(a) where the amount is claimed as an input tax credit in a return filed under Part IX of the Excise Tax Act (Statutes of Canada) for a reporting period under that Act,

i. at the time the goods and services tax in respect of the input tax credit was paid or became payable, if the tax was paid or became payable in the reporting period, or

ii. at the end of the reporting period, if no such tax was paid or became payable in respect of the input tax credit in the reporting period; or

(b) where the amount is claimed as a rebate with respect to the goods and services tax, at the time the amount was received by, or credited to, the taxpayer.

“21.36 Where the input tax credit of a taxpayer under Part IX of the Excise Tax Act (Statutes of Canada) in respect of property that is a passenger vehicle or an aircraft is determined with reference to subsection 4 of section 202 of the said Act, subparagraphs i and ii of paragraph a of section 21.35, where they apply in respect of such property, shall read as follows:

“i. at the beginning of the first taxation year or fiscal period of the taxpayer commencing after the end of the taxation year or fiscal period, as the case may be, in which the goods and services tax in respect of such property was considered, for the purposes of determining the input tax credit, to be payable, if the tax was considered, for the purposes of determining the input tax credit, to have become payable in the reporting period, or

ii. at the end of the reporting period, if no such tax was considered, for the purposes of determining the input tax credit, to have become payable in that period; or”.

“21.37 For the purposes of this Part, where an amount is added at a particular time in determining the net tax of a taxpayer under Part IX of the Excise Tax Act (Statutes of Canada) in respect of an input tax credit relating to property or a service that had been previously deducted in determining the net tax of the taxpayer, that amount is deemed to be assistance repaid at the particular time in respect of the property or service pursuant to a legal obligation to repay all or part of that assistance.”

(2) This section, where it enacts Chapter XI of Title II of Book I of Part I of the Taxation Act, except section 21.33 of the said Act, applies in respect of transfers, loans or payments made after 26 April 1989. However,

(a) were paragraph *a* of the definition of “securities lending arrangement” set forth in section 21.28 of the said Act, enacted by subsection 1, applies in respect of transfers, loans or payments made after 26 April 1989 and before 27 May 1989, that paragraph shall read without reference to the words “, with whom the lender deals at arm’s length”;

(b) where section 21.32 of the said Act, enacted by subsection 1, applies in respect of transfers, loans or payments made after 26 April 1989 and before 27 May 1989, subparagraph *a* of the first paragraph of the said section 21.32 shall read as follows:

“(a) under a securities lending arrangement, or”.

(3) This section, where it enacts section 21.33 of the Taxation Act, applies in respect of payments made after 30 June 1989. However, where the said section 21.33 applies in respect of such payments made before 1 April 1990 by a person described in subparagraph *b* of the first paragraph of section 21.32 of the said Act, it shall read as follows:

“21.33 No deduction shall be made by a taxpayer in computing his income from a business or property, in respect of more than $\frac{2}{3}$ of an amount that, if paid, would be deemed under section 21.32 to have been received by another person as a taxable dividend.”

(4) This section, where it enacts Chapter XII of Title II of Book I of Part I of the Taxation Act, has effect from 1 January 1991.

6. (1) The said Act is amended by inserting, after section 37.0.1, the following section:

“37.0.2 An individual shall include, in computing his income for the year from an office or employment, an amount received by him in the year as an allowance or reimbursement in respect of an amount that would be deductible under Chapter III in computing his income if he were entitled to no amount as such, except to the extent that the amount so received is otherwise included in computing his income for the year or is taken into account in computing the amount that is deducted by him under Chapter III for the year or a preceding taxation year.”

(2) This section applies in respect of amounts received after 31 December 1989.

7. (1) Section 38 of the said Act, amended by section 34 of chapter 59 of the statutes of 1990, is again amended

(1) by replacing that part preceding subparagraph *a* of the first paragraph of the French text by the following:

“38. Un particulier n'est pas tenu d'inclure dans le calcul de son revenu la valeur des avantages qui proviennent des cotisations versées à son égard par son employeur en vertu:”;

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

“(a) a registered pension plan;”;

(3) by replacing subparagraph *e* of the first paragraph of the French text by the following subparagraph:

“(e) d'un régime de participation différée aux bénéfices; ou”;

(4) by replacing the second and third paragraphs by the following paragraphs:

“Similarly, he is not required to include in computing his income the value of any benefit derived from the payment by his employer of the tax provided for under the Retail Sales Tax Act (R.S.Q., chapter I-1) in respect of contributions paid in his regard by his employer under subparagraph *b*, *c* or *f* of the first paragraph.

“Nor is he required to include therein the value of benefits under a retirement compensation arrangement, an employee benefit plan or

an employee trust, the value of benefits related to the use of an automobile unless they are related to its operation, or the value of benefits derived from counselling services in respect of his mental or physical health or that of a person related to him, other than a benefit attributable to an outlay or expense to which section 134 applies, or his re-employment or retirement.”

(2) Paragraph 2 of subsection 1 and paragraph 4 of the said subsection, where it enacts the second paragraph of section 38 of the Taxation Act, have effect from 1 January 1986.

(3) Paragraph 3 of subsection 1 has effect from 1 January 1991.

(4) Paragraph 4 of subsection 1, where it enacts the third paragraph of section 38 of the Taxation Act, applies from the taxation year 1988.

8. (1) The said Act is amended by inserting, after section 41.1, the following sections:

“41.2 An individual shall include in computing his income for a taxation year from an office or employment the aggregate of all amounts each of which is 7 % of the amount by which

(a) an amount required under section 37 or 41 to be included in computing his income for the year in respect of a supply of property or a service in respect of which section 173 of the Excise Tax Act (Statutes of Canada) applies, other than a zero-rated supply or an exempt supply, within the meanings assigned by Part IX of the said Act, exceeds

(b) the amount included in the amount referred to in paragraph *a* in respect of the property or service that may reasonably be attributed to tax levied under an Act of a province that is a prescribed tax for the purposes of section 154 of the Excise Tax Act (Statutes of Canada).

“41.3 To the extent that an amount required to be included, under section 37 or 41, in computing the income of an individual for a taxation year is determined by reference to the cost to a person of any property or service, that cost shall, for the purposes of those sections, be determined without reference to the goods and services tax payable by the person in respect of the property or service.”

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

9. (1) Section 42 of the said Act, amended by section 10 of chapter 7 of the statutes of 1990, is replaced by the following section:

“42. Notwithstanding sections 36 and 37, an individual who is not entitled to the deduction provided for in section 79.1 is not required to include, in computing his income for a taxation year from an office or employment, an amount received or enjoyed by him by reason of or in the course of his office or employment that is the value of expenses, or an allowance not in excess of a reasonable amount in respect of expenses, incurred by him

(a) for his board and lodging for a period during which he was required by his duties to be away from his principal place of residence, or to be at the special work site referred to in subparagraph i or at the location referred to in subparagraph ii, for not less than 36 hours, if such board and lodging were

i. at a special work site at which the duties performed by him were of a temporary nature and if he maintained at another location a self-contained domestic establishment as his principal place of residence that was, throughout the period, available for his occupancy and not rented to any other person, and to which, by reason of distance, he could not reasonably be expected to have returned daily from the special work site, or

ii. at a location at which, by virtue of its remoteness from any established community, he could not reasonably be expected to establish and maintain a self-contained domestic establishment; or

(b) for transportation, in respect of a period described in paragraph a during which he received board and lodging, or a reasonable allowance in respect of board and lodging, from his employer, between

i. his principal place of residence and the special work site referred to in subparagraph i of paragraph a, or

ii. the location referred to in subparagraph ii of paragraph a and a location in Canada or in the country in which the individual is employed.”

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

10. (1) Section 47.2 of the said Act is replaced by the following section:

“47.2 Notwithstanding section 47.1, an individual is not required to include in computing his income an amount received in respect of an employee benefit plan, to the extent that such amount represents a return of amounts contributed to the plan by him or a

deceased employee of whom he is an heir or legal representative, a death benefit or an amount that would, but for the deduction provided for in sections 3 and 4, be a death benefit, or a pension benefit attributable to services rendered by a person in a period throughout which the person was not resident in Canada.”

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

11. (1) Section 47.9 of the said Act is replaced by the following section:

“47.9 Notwithstanding section 47.7, an employee trust does not include a profit sharing plan, a deferred profit sharing plan or a plan the registration of which is revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Statutes of Canada).”

(2) This section has effect from 1 January 1991.

12. (1) Section 47.16 of the said Act is amended

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

“(a) a registered pension plan,”;

(2) by replacing paragraph *c* of the French text by the following paragraph:

“(c) un régime de participation différée aux bénéfices,”;

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

“(d) a profit sharing plan,”.

(2) Paragraph 1 of subsection 1 has effect from 26 February 1986.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 1 January 1991.

13. (1) The said Act is amended by inserting, after section 58.1, the following:

“DIVISION VIII

“GOODS AND SERVICES TAX REBATE

“58.2 Where an amount in respect of a particular expense is deducted under Chapter III in computing the income of a taxpayer for a taxation year from an office or employment, or an amount is included in the capital cost to the taxpayer of a particular property

described in section 64 or 78.4, and a particular amount is paid to the taxpayer in a particular taxation year as a rebate under the Excise Tax Act (Statutes of Canada) in respect of any goods and services tax included in the amount of the particular expense or the capital cost of the particular property, as the case may be, the particular amount,

(a) to the extent that it relates to the particular expense, shall be included in computing the taxpayer's income from an office or employment for the particular year, and

(b) to the extent that it relates to the capital cost of the particular property, is deemed, for the purposes of section 101, to have been received by the taxpayer in the particular year as assistance from a government for the acquisition of the particular property."

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

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

"59.1 For the purposes of this title, except sections 32 and 33 and Division VI of Chapter II, the amount of any rebate paid or payable to a taxpayer under the Excise Tax Act (Statutes of Canada) in respect of the goods and services tax is deemed not to be an amount that is reimbursed to the taxpayer or to which the taxpayer is entitled."

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

15. (1) Section 70 of the said Act is amended

(1) by replacing paragraph *a* of the French text by the following paragraph:

"*a*) à payer par lui pour l'année à titre de cotisation d'employé en vertu de la Loi sur l'assurance-chômage (Lois révisées du Canada (1985), chapitre U-1);";

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

"(c) deductible by him, in respect of a contribution to a registered pension plan, in computing his income for the year to the extent provided in section 965.0.3."

(2) Paragraph 2 of subsection 1 applies from the taxation year 1986. However, where it applies to the taxation years 1986 to 1990, paragraph *c* of section 70 of the Taxation Act, enacted by it, shall read as follows:

“(c) paid by him in the year under a registered pension plan.”

16. (1) Sections 71 to 74.1 of the said Act are repealed.

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

(a) where sections 71 to 73 of the Taxation Act, repealed by this section, apply to the taxation years 1986 to 1990, they shall read as follows:

“71. The amount deductible by an individual for a taxation year under paragraph *c* of section 70 must not exceed

(a) in respect of services rendered by the individual in the year, the amounts retained by his employer from his remuneration under the plan or paid under the plan by the individual as part of his dues for the year as a member of an association of employees within the meaning of the Labour Code, not exceeding \$5 500;

(b) in respect of services rendered by the individual before the year, for the years while he was not a contributor under the plan, the amounts paid by the individual in the year in respect of his contributions and, in the case of additional voluntary contributions, before 9 October 1986, to the extent that such amounts are not deductible in the preceding year under paragraph *d* of section 339, not exceeding the lesser of the following amounts:

i. \$5 500, and

ii. that part of such amounts not in excess of the product obtained by multiplying \$5 500 by the number of such preceding years, minus the amounts deducted in the preceding years under this paragraph;

(c) in respect of services rendered by the individual before the year while he was a contributor under the plan, the amounts paid by the individual in the year and, in the case of additional voluntary contributions, before 9 October 1986, not exceeding \$5 500, in respect of such preceding years, to the extent that they are not deductible in the preceding year under paragraph *d* of section 339, minus any amount deducted in the year under paragraphs *a* and *b*.

“72. The maximum of \$5 500 provided in paragraph *a*, *b* or *c* of section 71 applies, with regard to each of the said paragraphs, to the aggregate of the contributions contemplated therein, irrespective of the number of plans to which the employee has contributed.

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

"73. In the case of a teacher, paragraph *b* of section 71 applies in respect of services rendered earlier even if he was then a contributor under the plan.";

(*b*) where section 74 of the Taxation Act, repealed by this section, applies to the taxation years 1987 to 1990, it shall read as follows:

"74. An employee may carry over to a later taxation year the amount of his contributions under a registered pension plan, other than additional voluntary contributions, exceeding the amounts deductible under paragraph *b* or *c* of section 71 and paragraph *d* of section 339, that he has paid after 31 December 1945 in the case contemplated in paragraph *b* of section 71 in respect of services rendered earlier while he was not a contributor under the plan or, in the case contemplated in paragraph *c* of section 71, that he has paid after 31 December 1962 in respect of services rendered earlier while he was a contributor under the plan.

The amount referred to in the first paragraph is deductible in accordance with paragraph *b* or *c* of section 71, as the case may be.";

(*c*) where section 74.1 of the Taxation Act, repealed by this section, applies to the taxation years 1986 to 1990,

i. paragraph *c* of section 71 of the said Act, enacted by paragraph *a*, shall read, in respect of the said section 74.1, without reference to the words "and, in the case of additional voluntary contributions, before 9 October 1986," and

ii. the said section 74.1 shall read as follows:

"74.1 An employee may carry over to a later year the amount of his contributions described in paragraph *a* of section 71 and paid after 31 December 1962 and before 1 January 1986, which exceeds the amounts that were deductible under paragraphs *a* and *c* of section 71 and paragraph *d* of section 339.

The amount referred to in the first paragraph is deductible pursuant to paragraph *c* of section 71."

17. The said Act is amended by inserting, before section 75, the following section:

“74.2 For the application of paragraph *c* of section 70 and section 71 to the taxation year 1986, such part as a taxpayer designates in his fiscal return for that year of the aggregate of all amounts contributed by the taxpayer after 31 December 1985 and before 9 October 1986 as additional voluntary contributions is deemed to have been contributed in respect of services rendered by the taxpayer before 1 January 1986.”

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

“77. An individual may deduct judicial or extrajudicial fees paid by him in the year to collect, or to establish a right to, salary or wages owed to him by his employer or former employer.”

(2) This section applies in respect of judicial or extrajudicial expenses paid after 31 December 1989.

19. (1) Section 86 of the said Act is amended by replacing subsection 2 by the following subsection:

“(2) Where an individual’s income for a taxation year includes income from a business the fiscal period of which does not coincide with the calendar year, any reference in respect of the business to the taxation year or the year shall, in this Book, be read as a reference to the fiscal period ending in the year, unless the context otherwise requires.”

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

20. (1) Section 87 of the said Act, amended by section 47 of chapter 59 of the statutes of 1990, is again amended

(1) by replacing paragraph *j.1* of the French text by the following paragraph:

“j.1) l’excédent de l’ensemble des montants qu’il reçoit dans l’année d’un régime de prestations aux employés auquel il a cotisé à titre d’employeur ou en vertu d’un tel régime et qui ne sont pas inclus dans le calcul de son revenu en vertu du paragraphe *n*, sur l’excédent de l’ensemble des montants qu’il a ainsi versés au régime ou qu’il a inclus, en vertu du présent paragraphe, dans le calcul de son revenu pour une année d’imposition antérieure, sur l’ensemble des montants qu’il a déduits à l’égard de ses cotisations au régime dans le calcul de

son revenu pour l'année ou pour une année d'imposition antérieure ou qu'il a reçus du régime ou en vertu de celui-ci au cours d'une année d'imposition antérieure et qui n'ont pas été inclus dans le calcul de son revenu en vertu du paragraphe *n*,";

(2) by replacing paragraph *o* of the French text by the following paragraph:

"*o*) tout montant reçu à titre de paiement de stabilisation ou de remboursement de cotisation en vertu de la Loi de stabilisation concernant le grain de l'Ouest (Lois révisées du Canada (1985), chapitre W-7);";

(3) by replacing that part of paragraph *w* preceding subparagraph *iv* by the following:

"(*w*) any amount, other than a prescribed amount, received by the taxpayer in the year, in the course of earning income from a business or property, from a person who pays the amount in the course of earning income from a business or property or in order to achieve a benefit for himself or for persons with whom he does not deal at arm's length, or from a government, municipality or other public authority where the amount can reasonably be considered to have been received as a reimbursement, contribution, allowance or as assistance, whether as a grant, subsidy, forgivable loan, deduction from tax, allowance or any other form of assistance, in respect of the cost of property or in respect of an outlay or expense, or as an inducement, whether as a grant, subsidy, forgivable loan, deduction from tax, allowance or any other form of inducement, to the extent that the amount, at the same time,

i. was not otherwise included in computing the taxpayer's income, or deducted in computing, for the purposes of this Part, any balance of undeducted outlays, expenses or other amounts, for the year or a preceding taxation year,

ii. except as provided for in section 1029.8.18, does not reduce, for the purposes of this Part, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be,

iii. does not reduce, pursuant to paragraph *f.2* of section 257 or section 87.4 or 101.6, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be, and";

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

"(*x*) an amount that, where the taxpayer is an individual who is a member of a partnership or an employee of a member of the

partnership and the partnership makes an automobile available in the year to the taxpayer or to a person related to him, would be included, under section 41 or under section 41.2 if that section were read without reference to section 37, in computing the taxpayer's income for the year if the taxpayer were employed by the partnership."

(2) Paragraph 3 of subsection 1, except where it replaces subparagraph i of paragraph *w* of section 87 of the Taxation Act, applies in respect of amounts received after 31 January 1990, and where it replaces the said subparagraph i, it has effect from 23 May 1985.

(3) Paragraph 4 of subsection 1 applies to taxation years or fiscal periods ending after 31 December 1990.

21. (1) Section 87.1 of the said Act is repealed.

(2) This section applies from the taxation year 1979.

22. (1) Section 87.3 of the said Act is replaced by the following section:

"87.3 For the purposes of paragraph *w* of section 87, where at a particular time a taxpayer who is a beneficiary of a trust or a member of a partnership has received an amount in respect of the activities of the trust or partnership, or in respect of the cost of property or in respect of an outlay or expense of the trust or partnership, on any basis contemplated in that paragraph, the amount is deemed to have been received at that time by the trust or partnership, as the case may be, on the same basis."

(2) This section applies in respect of amounts received after 31 January 1990.

23. (1) The said Act is amended by inserting, after section 87.3, the following section:

"87.4 A taxpayer who has in a taxation year received an amount that would, but for this section, be included in computing his income for the year under paragraph *w* of section 87 in respect of an outlay or expense made or incurred by him in the year, in any of the three taxation years preceding the year or in the taxation year following the year, other than an outlay or expense in respect of the cost of property of the taxpayer, may elect under this section, on or before the day on or before which his fiscal return under this Part is required to be filed, or would be required to be filed if the taxpayer had tax payable, for the year, or, where the outlay or expense is made or

incurred in the taxation year following the year, for that following year, that the amount of the outlay or expense be deemed, for the purposes of computing the income of the taxpayer, except for the purposes of this section, that part of paragraph *w* of section 87 preceding subparagraph *i* and subparagraph *ii* of paragraph *o* of section 157, to have always been the amount by which the amount of the outlay or expense exceeds the lesser of the amount elected by the taxpayer under this section and the amount so received by the taxpayer.

Notwithstanding sections 1010 and 1011, the Minister shall make, under this Part, such assessment or reassessment of the taxpayer's tax, interest and penalties for any taxation year as is necessary to give effect to the election made by the taxpayer under the first paragraph."

(2) This section applies in respect of amounts received after 31 January 1990.

24. (1) Section 92.1 of the said Act is replaced by the following section:

"92.1 Where in a taxation year a taxpayer, other than a taxpayer to whom section 92 applies, holds an interest in an investment contract on any anniversary day of the contract, he shall include in computing his income for the year the interest that accrued to him to the end of that day with respect to the investment contract, to the extent that the interest was not otherwise included in computing his income for the taxation year or any preceding taxation year."

(2) This section applies in respect of investment contracts acquired or materially altered after 31 December 1989.

25. (1) Sections 92.2 to 92.4 of the said Act are repealed.

(2) This section applies in respect of investment contracts acquired or materially altered after 31 December 1989.

26. (1) Section 92.5 of the said Act is replaced by the following section:

"92.5 For the purposes of sections 92, 92.1, 157.6 and 167, where a taxpayer acquires an interest in a prescribed debt obligation, interest on the obligation, computed in prescribed manner, is deemed to accrue to the taxpayer in each taxation year during which the taxpayer holds the interest."

(2) This section applies in respect of investment contracts acquired or materially altered after 31 December 1989.

27. (1) Section 92.6 of the said Act is repealed.

(2) This section applies in respect of investment contracts acquired or materially altered after 31 December 1989.

28. (1) Section 92.7 of the said Act is replaced by the following section:

“92.7 For the purposes of sections 92 to 92.7,

(a) “investment contract”, in relation to a taxpayer, means any debt obligation, other than a prescribed contract, a salary deferral arrangement, an income bond, an income debenture, a development bond, a small business bond or an obligation in respect of which the taxpayer has, at periodic intervals of not more than one year, included, in computing his income throughout the period in which he held an interest in the obligation, the income accrued thereon for such intervals;

(b) “anniversary day” of an investment contract means the day that is one year after the day immediately preceding the date of issue of the contract, the day that occurs at every successive one year interval from the anniversary day determined in the first instance under this paragraph, and the day on which the contract was disposed of.”

(2) This section, where it replaces paragraph *a* of section 92.7 of the Taxation Act, applies from the taxation year 1985. However, where paragraph *a* of the said section, as enacted by this section, applies in respect of debt obligations acquired before 1 January 1990, it shall read as follows:

“(a) “investment contract”, in relation to a taxpayer, means a debt obligation, other than a prescribed contract, a salary deferral arrangement, an income bond, an income debenture, a development bond, a small business bond or an obligation in respect of which the taxpayer has, at periodic intervals of less than three years, included, in computing his income throughout the period in which he held an interest in the obligation, the income accrued thereon for such intervals;”.

(3) This section, where it replaces that part of section 92.7 of the Taxation Act preceding paragraph *a* and paragraph *b* of the said section, applies in respect of investment contracts acquired or materially altered after 31 December 1989.

29. (1) Section 92.8 of the said Act is repealed.

(2) This section applies in respect of investment contracts acquired or materially altered after 31 December 1989.

30. (1) Section 92.10 of the said Act is repealed.

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

31. (1) Section 92.11 of the said Act is amended by replacing the first paragraph by the following paragraph:

“92.11 Where in a taxation year a taxpayer, other than a taxpayer to whom section 92.9 applies, holds an interest in a life insurance policy acquired after 31 December 1989, on any anniversary day of the policy, he shall include in computing his income for the year the amount by which the accumulating fund on that day, as determined in prescribed manner, in respect of the interest exceeds the adjusted cost basis of the interest to him.”

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

32. (1) Sections 92.12 and 92.12.1 of the said Act are repealed.

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

33. (1) Section 92.13 of the said Act is replaced by the following section:

“92.13 Where in a taxation year section 92.9 or 92.11 applies with respect to a taxpayer’s interest in an annuity contract and at the end of the year the aggregate determined under section 976.1 in respect of the interest exceeds the aggregate determined under section 976 in respect of the interest, the taxpayer shall include the excess in computing his income for the year.”

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

34. (1) Sections 92.14 and 92.15 of the said Act are repealed.

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

35. (1) Section 92.16 of the said Act is replaced by the following section:

“92.16 For the purposes of sections 92.9 to 92.19, where the first premium under an annuity contract last acquired by a taxpayer before 1 January 1990 was not fixed before that date and was paid after 31 December 1989 by or on behalf of the taxpayer, the premium is deemed to have been paid to acquire, at the time the premium was paid, an interest in a separate annuity contract issued at that time and each subsequent premium paid under the contract is deemed to have been paid under such separate contract.

The first paragraph does not apply in respect of an annuity contract described in subparagraph *b* of the second paragraph of section 92.9 or to which section 92, 92.9 or 92.11 applies.”

(2) This section applies in respect of premiums paid after 31 December 1989.

36. (1) Section 92.17 of the said Act is repealed.

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

37. (1) Section 92.18 of the said Act is replaced by the following section:

“92.18 For the purposes of this Part, any rider added at any time after 31 December 1989 to a life insurance policy, other than an annuity contract, last acquired before 1 January 1990 that provides for additional life insurance, other than an accidental death benefit, is deemed to be a separate life insurance policy issued at that time.”

(2) This section applies in respect of riders added after 31 December 1989.

38. (1) Section 92.19 of the said Act is amended

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

“92.19 For the purposes of sections 92.9 to 92.19, 160 and 161, paragraph *c* of section 312 and sections 966 to 977.1,”;

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

“(b) “anniversary day” of a life insurance policy means the last day of each calendar year ending after the policy was issued.”

(2) This section applies in respect of contracts or life insurance policies acquired or materially altered after 31 December 1989.

39. (1) Section 92.20 of the said Act is repealed.

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

40. (1) Section 95 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) each reference in sections 94, 94.1 and 130.1 to “year” and “taxation year” shall read as a reference to “fiscal period”, except so far as the said sections apply to a disposition by a taxpayer, after ceasing to operate a business, of depreciable property of a prescribed class he had acquired to gain income from the business and had subsequently used for no other purpose; and”.

(2) This section applies to taxation years or fiscal periods commencing after 17 June 1987 and ending after 31 December 1987.

41. (1) The said Act is amended by inserting, after section 112.1, the following sections:

“112.2 Where the amount or value of a benefit is required under section 111 to be included in computing the income of a taxpayer for a taxation year in respect of a supply of property or a service in respect of which section 173 of the Excise Tax Act (Statutes of Canada) applies, other than a zero-rated supply or an exempt supply, within the meaning assigned by Part IX of that Act, the taxpayer shall also include in computing his income for the year an amount equal to 7 % of the amount by which

(a) the amount or value of the benefit exceeds

(b) the amount included in the amount or value referred to in paragraph *a* that may reasonably be attributed to tax levied under an Act of a province that is a prescribed tax for the purposes of section 154 of the Excise Tax Act (Statutes of Canada).

“112.3 To the extent that the amount or value of a benefit required under section 111 to be included in computing the income of a taxpayer for a taxation year is determined by reference to the cost to a corporation of any property or service, that cost shall, for the purposes of that section, be determined without reference to the goods and services tax payable by the corporation in respect of the property or service.”

(2) This section applies in respect of benefits conferred after 31 December 1990.

42. (1) The said Act is amended by inserting, after section 125, the following:

“DIVISION V.1

“LEASING PROPERTIES

“125.1 Where, at any particular time, a taxpayer, in this division referred to as the “lessee”, has leased tangible property, other than prescribed property, that would, if the lessee had acquired the property, have been depreciable property of the lessee, from a person resident in Canada, or from a person not resident in Canada where the lease is held in the course of carrying on a business through an establishment in Canada, who owns the property and with whom the lessee was dealing at arm’s length, in this division referred to as the “lessor”, for a term of more than one year, the following rules apply for the purposes of computing the income of the lessee for the taxation year that includes the particular time and for the subsequent taxation years, if the lessee and the lessor have jointly so elected by filing the prescribed form with their fiscal returns under this Part for their respective taxation years that include the time at which the lease was entered into:

(a) the lease is deemed not to be a lease;

(b) the lessee is deemed to have acquired the property from the lessor at the particular time at a cost equal to its fair market value at that time;

(c) the lessee is deemed to have borrowed money from the lessor at the particular time, for the purpose of acquiring the property, in a principal amount equal to the fair market value of the property at that time;

(d) interest, capitalized semi-annually, not in advance, is deemed to accrue on the principal amount of the borrowed money outstanding from time to time, at the prescribed rate in effect at the time the interest is being calculated, where a particular lease provides that the amount paid or payable by the lessee for the use of, or the right to use, the property varies according to prevailing interest rates in effect from time to time and if the lessee so elects, in respect of all of the property that is subject to the particular lease, in his fiscal return under this Part for his taxation year in which the particular lease was entered into, or at the prescribed rate in effect at the particular time;

(e) the amounts paid or payable by or on behalf of the lessee for the use of, or the right to use, the property in the year are deemed to be blended payments, paid or payable by the lessee, of principal and interest on the borrowed money outstanding from time to time, calculated in accordance with paragraph *d*, applied firstly on account of interest on principal, secondly on account of interest on unpaid interest and thirdly on account of unpaid principal, if any, and the amount by which the aggregate of such amounts paid or payable exceeds the aggregate of the amounts so applied is deemed to be paid or payable on account of interest, and any amount deemed by reason of this paragraph to be a payment of interest is deemed to have been an amount paid or payable, as the case may be, pursuant to a legal obligation to pay interest in respect of the year on the borrowed money;

(f) at the time of the expiration or cancellation of the lease, the assignment of the lease or the sublease of the property by the lessee, the lessee is deemed, except where section 125.4 applies, to dispose of the property at that time for proceeds of disposition equal to the amount by which the aggregate of the amount referred to in paragraph *c* and the amounts received or receivable by the lessee in respect of the cancellation or assignment of the lease or the sublease of the property exceeds the aggregate of the amounts deemed under paragraph *e* to have been paid or payable, as the case may be, by the lessee on account of the principal amount of the borrowed money and the amounts paid or payable by or on behalf of the lessee in respect of the cancellation or assignment of the lease or the sublease of the property;

(g) for the purposes of sections 97.2 to 97.4, each amount paid or payable by or on behalf of the lessee that would, but for this section, have been an amount paid or payable for the use of, or the right to use of, the property is deemed to have been deducted in computing the lessee's income as an amount paid or payable by the lessee for the use of, or the right to use, the property after the particular time;

(h) any amount paid or payable by or on behalf of the lessee in respect of the granting or assignment of the lease or the sublease of the property that would, but for this paragraph, be the capital cost to the lessee of a leasehold interest in the property is deemed to be an amount paid or payable, as the case may be, by the lessee for the use of, or the right to use, the property for the remaining term of the lease;

(i) where the lessee has made an election under this section in respect of a property and, at any time after the lease was entered into,

the owner of the property is a person not resident in Canada, other than a person who holds the lease in the course of carrying on a business through an establishment in Canada, the lease is deemed, for the purposes of this section, to have been cancelled at that time.

“125.2 Subject to sections 125.3 and 125.4, where at any particular time a lessee who has made an election under section 125.1 in respect of a leased property assigns the lease or subleases the property to another person, in this division referred to as the “assignee”, the following rules apply:

(a) section 125.1 does not apply in computing the income of the lessee in respect of the lease for any period after the particular time;

(b) section 125.1 applies to the assignee as if he had leased the property at that time from the owner of the property for a term of more than one year, if the lessee and the lessor have jointly so elected by filing the prescribed form with their fiscal returns under this Part for their respective taxation years that include the time at which the assignment or the sublease was entered into.

“125.3 Subject to section 125.4, where at any particular time a lessee who has made an election under section 125.1 in respect of a leased property assigns the lease or subleases the property to another person with whom he is not dealing at arm’s length, the other person is deemed, for the purposes of section 125.1 and for the purposes of computing his income in respect of the lease for any period after the particular time, to be the same person as, and the continuation of, the lessee.

However, notwithstanding paragraph *b* of section 125.1, that other person is deemed to have acquired the property from the lessee at the time that it was acquired by the lessee, at a cost equal to the lessee’s proceeds of disposition of the property that would be determined under paragraph *f* of section 125.1 if the said paragraph *f* were read without reference to “and the amounts received or receivable by the lessee in respect of the cancellation or assignment of the lease or the sublease of the property” and to “and the amounts paid or payable by or on behalf of the lessee in respect of the cancellation or assignment of the lease or the sublease of the property”, with the necessary adaptations.

“125.4 Notwithstanding section 125.2, where at any time a particular corporation that has made an election under section 125.1 in respect of a lease assigns the lease by reason of an amalgamation, within the meaning of subsections 1 and 2 of section 544, or in the

course of the winding-up of a Canadian corporation in respect of which sections 556 to 564.1 and 565 apply, to another corporation with which it does not deal at arm's length, the other corporation is deemed, for the purposes of section 125.1 and for the purposes of computing its income in respect of the lease after that time, to be the same person as, and a continuation of, the particular corporation."

(2) This section applies, subject to subsection 3, to leases or subleases of properties after 10 p.m. Eastern Daylight Saving Time, 26 April 1989, other than

(a) leases of properties entered into pursuant to an agreement in writing entered into at or before that time under which the lessee has the right to require the lease of the property, and

(b) subleases of properties that are subject to leases described in paragraph *a* or to leases entered into at or before that time.

(3) Where this section applies to leases or subleases of properties before 12 June 1989, section 125.1 of the Taxation Act, as enacted by this section, shall read without reference to paragraph *i* thereof, the words "resident in Canada, or from a person not resident in Canada where the lease is held in the course of carrying on a business through an establishment in Canada," and the words "and with whom the lessee was dealing at arm's length".

(4) The joint election referred to in section 125.1 of the Taxation Act, enacted by this section, in respect of a lease is deemed to have been made by the lessor and the lessee contemplated therein by filing the prescribed form with their fiscal returns under Part I of the said Act for their respective taxation years that include the time at which the lease was entered into, if, on or before (*insert here the date of the day occurring 270 days after the date of assent to this Act*), such election in respect of the lease is made jointly by the lessor and the lessee by filing with the Minister of Revenue either that prescribed form or a copy of the similar form which must be filed under subsection 1 of section 16.1 of the Income Tax Act (Statutes of Canada).

(5) The joint election referred to in section 125.2 of the Taxation Act, enacted by this section, in respect of the assignment of a lease or the sublease is deemed to have been made by the lessee and the assignee contemplated therein by filing the prescribed form with their fiscal returns under Part I of the said Act for their respective taxation years that include the time at which the assignment or sublease, as the case may be, was entered into, if, on or before (*insert here the date of the day occurring 270 days after the date of assent to this Act*), such

election in respect of the assignment or sublease, as the case may be, is made jointly by the lessee and the assignee by filing with the Minister of Revenue either that prescribed form or a copy of the similar form, which must be filed under subsection 2 of section 16.1 of the Income Tax Act (Statutes of Canada).

43. (1) Section 135.3.1 of the said Act, enacted by section 77 of chapter 59 of the statutes of 1990, is replaced by the following section:

“135.3.1 A taxpayer shall not deduct any amount paid or payable under Part I.3 or VI of the Income Tax Act (Statutes of Canada).”

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

44. (1) Section 137 of the said Act is replaced by the following section:

“137. An employer may deduct in computing his income for any taxation year such amount as is deductible in computing his income for the year to the extent provided in section 965.0.2.”

(2) This section applies from the taxation year 1991 in respect of contributions made to registered pension plans after 31 December 1990. Furthermore, where section 137 of the Taxation Act, replaced by this section, applies after 31 December 1985, it shall read as follows:

“137. An employer may deduct an amount paid in the year or within 120 days after the end of the year under a registered pension plan in respect of services rendered by his employees in the year.

Where the amount described in the first paragraph is divided into parts each of which is in respect of an individual employee, the amount deductible under the said paragraph in respect of any one such individual employee is the lesser of the amount of such part and \$5 500.

If such reference to an individual employee as is contemplated in the second paragraph cannot be made, the amount deductible under the first paragraph is equal to the lesser of the amount described in that paragraph and the amount fixed in prescribed manner, not exceeding the amount obtained by multiplying \$5 500 by the number of employees of the employer in respect of whom the employer has paid the amount described in the first paragraph.”

45. (1) Section 137.1 of the said Act is repealed.

(2) This section applies from the taxation year 1991 in respect of contributions made to registered pension plans after 31 December 1990.

46. (1) Section 139 of the said Act is repealed.

(2) This section applies from the taxation year 1991 in respect of contributions made to registered pension plans after 31 December 1990. Furthermore, where section 139 of the Taxation Act, repealed by this section, applies after 31 December 1985, it shall read as if the reference in that part preceding paragraph *a* to a “registered retirement plan” were a reference to a “registered pension plan”.

47. (1) Section 157 of the said Act, amended by section 89 of chapter 59 of the statutes of 1990, is again amended

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

“(i) any amount paid by him in the year as the levy under the Western Grain Stabilization Act (Revised Statutes of Canada, 1985, chapter W-7);”;

(2) by replacing that part of paragraph *m* preceding subparagraph ii by the following:

“(m) the amount of any assistance or benefit received by him in the year as a deduction from or reimbursement of an expense that is a tax, other than the goods and services tax, or royalty to the extent that the following conditions are met:

i. the tax or royalty is, by reason of the receipt of the amount by the taxpayer, not deductible in computing his income for a taxation year; and”;

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

“(o) an amount repaid by the taxpayer in the year pursuant to a legal obligation to repay all or part of a particular amount

i. included under paragraph *w* of section 87 in computing his income for the year or a preceding taxation year, or

ii. that is, by reason of subparagraph ii of paragraph *w* of section 87 or section 87.4, not included in computing his income under paragraph *w* for the year or a preceding taxation year, where the particular amount relates to an outlay or expense, other than an outlay

or expense described in section 157.2.1, that would have been deductible in computing his income for the year or a preceding taxation year were it not for the receipt of the particular amount;”.

(2) Paragraph 2 of subsection 1, where it replaces that part of paragraph *m* of section 157 of the Taxation Act preceding subparagraph *i*, applies in respect of amounts received after 31 December 1990, and where it replaces subparagraph *i* of the said paragraph *m*, it applies in respect of amounts received after 31 January 1990.

(3) Paragraph 3 of subsection 1 applies in respect of amounts repaid after 31 January 1990.

48. (1) The said Act is amended by inserting, after section 157.2, the following section:

“157.2.1 For the purposes of subparagraph *ii* of paragraph *o* of section 157, an outlay or expense does not include an outlay or expense that is in respect of the cost of property of the taxpayer or that is deductible under Divisions II to IV.1 of Chapter X of Title VI, except sections 360 and 361, or would be deductible if the amount so deductible by the taxpayer were not limited by reason of section 374, subparagraph *ii* of subparagraph *a* of the first paragraph of section 413 or subparagraph *ii* of paragraph *a* of section 418.7 or if the amount deductible by the taxpayer under the first paragraph of section 400 were equal to the excess amount described therein.”

(2) This section applies in respect of amounts repaid after 31 January 1990.

49. (1) Section 157.5 of the said Act is amended by replacing that part preceding paragraph *a* by the following:

“157.5 Where a taxpayer disposes of an interest in a life insurance policy that is not an annuity contract, otherwise than as a consequence of a death, or of an interest in an annuity contract under which annuity payments have not commenced and in respect of which an amount was included in computing his income for the taxation year by virtue of section 92.9 or 92.11 in respect of that interest, there may be deducted in computing his income for the taxation year in which the disposition occurs an amount equal to the lesser of”.

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

50. (1) Sections 157.7 to 157.9 of the said Act are repealed.

(2) This section applies from the taxation year 1991 in respect of contributions made to registered pension plans after 31 December 1990. Furthermore,

(a) where section 157.7 of the Taxation Act, repealed by this section, applies after 31 December 1985, it shall read as if the reference in that part preceding paragraph *a* thereof to “registered pension funds or plans” were a reference to “registered pension plans” and the reference in the French text thereof to “contribution” were a reference to “cotisation”, and

(b) where section 157.8 of the Taxation Act, repealed by this section, applies after 31 December 1985, the French text thereof shall read as if the references therein to “régime enregistré de retraite” and “régimes enregistrés” were references to “régime de pension agréé” and “régimes de pension agréés”, respectively, and as if the reference therein to “régimes enregistrés de retraite”, wherever it appears, were a reference to “régimes de pension agréés”.

51. (1) Section 158 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) under a deferred profit sharing plan, except to the extent provided in section 881;”.

(2) This section has effect from 1 January 1991.

52. (1) Section 160 of the said Act is amended by replacing paragraph *d* by the following paragraph:

“(d) borrowed money used to acquire an interest in an annuity contract to which sections 92.9 to 92.19 apply, except that, where annuity payments have commenced under the contract in a preceding taxation year, the amount of interest paid or payable in the year shall not be deducted to the extent that it exceeds the amount included under the said sections in computing the taxpayer’s income for the year with respect to his interest in the contract.”

(2) This section applies in respect of life insurance contracts or policies acquired or materially altered after 31 December 1989.

53. (1) Section 161 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) a loan used to acquire property the income from which would be exempt from tax or to acquire a life insurance policy, within the meaning of paragraph *e* of section 835, that is neither an annuity contract issued before 1 January 1978 that provides for annuity

payments to commence not later than the day on which the policy holder attains 75 years of age, nor a registered pension plan, a registered retirement savings plan, a deferred profit sharing plan, an income-averaging annuity contract or a policy issued under any such plan or contract;”.

(2) This section has effect from 1 January 1986. However, where it applies after 31 December 1985 and before 1 January 1991, paragraph *a* of section 161 of the Taxation Act, enacted by this section, shall read as if the reference in the French text thereof to “régime de participation différée aux bénéfices” were a reference to “régime d’intéressement différé”.

54. (1) Section 167.1 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) for the purposes of sections 87, 87.2, 89 to 92.7 and 167, the issue of the debt obligation is deemed to be a disposition of the debt obligation from the issuer, as transferor, to the person to whom the obligation is issued, as transferee, and that interest is deemed to be interest that accrued on the debt obligation for a period ending at the time of the disposition; and”.

(2) This section, where it strikes out in paragraph *a* of section 167.1 of the Taxation Act, replaced by this section, the reference to section 87.1, applies from the taxation year 1979 and, where it strikes out in the said paragraph *a*, the reference to section 92.8, it applies in respect of investment contracts acquired or materially altered after 31 December 1989.

55. (1) Section 175.2 of the said Act, amended by section 97 of chapter 59 of the statutes of 1990, is again amended by replacing paragraph *c* by the following paragraph:

“(c) making a contribution to a registered pension plan or a deferred profit sharing plan after 12 November 1981, other than a contribution described in paragraph *b* or *c* of section 71, as they read for the taxation year 1990, that was required to be made pursuant to an obligation entered into before 13 November 1981, or an amount deductible by the taxpayer under section 137 or paragraph *b* of section 158 in computing his income;”.

(2) This section has effect from 1 January 1986. However, where subsection 1 strikes out the references, in paragraph *c* of section 175.2 of the Taxation Act, enacted by it, to sections 137.1 and 139 of the said Act, it applies from the taxation year 1992, and where the said

paragraph *c* applies to the taxation years 1986 to 1990, it shall read as follows:

“(c) making a contribution to a registered pension plan or a deferred profit sharing plan after 12 November 1981, other than a contribution described in paragraph *b* or *c* of section 71 that was required to be made pursuant to an obligation entered into before 13 November 1981, or an amount deductible by the taxpayer under sections 137 and 137.1 or 139 or paragraph *b* of section 158 in computing his income;”.

56. (1) Section 194 of the said Act, replaced by section 107 of chapter 59 of the statutes of 1990, is amended

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

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

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

“(a) all amounts, other than an amount described in section 198, paid in the year or deemed by this Part to have been paid in the year, in the course of carrying on the business, in payment of or on account of an amount that would be deductible in computing the income from the business for that or any other year if that income were not computed in accordance with this cash method;”;

(3) by replacing subparagraph *c* of the third paragraph by the following subparagraph:

“(c) the aggregate of all amounts each of which is an amount deducted for the year under paragraph *a* or *b* of section 130, section 130.1, 188 or 198, the first paragraph of section 487 or section 487.0.2 in respect of the business.”

(2) This section applies in respect of fiscal periods commencing after 31 December 1988.

57. (1) Section 221 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**221.** A taxpayer who operates a railway shall not deduct in computing his income for a taxation year any expense incurred by him

in respect of the repair, replacement, alteration or renovation of depreciable property of a prescribed class if that expense is not to be entered in his books as an expense under a uniform classification and system of accounts and returns prescribed by the National Transportation Agency pursuant to the Railway Act (Statutes of Canada).”

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

58. (1) Section 241 of the French text of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) d’une fiducie régie par un régime d’intéressement, un régime de participation différée aux bénéfices, un régime enregistré d’épargne-logement ou un fonds enregistré de revenu de retraite dont le contribuable est bénéficiaire ou le devient immédiatement après l’aliénation; ou”.

(2) This section has effect from 1 January 1991.

59. (1) Section 310 of the said Act, replaced by section 14 of chapter 7 of the statutes of 1990, is again 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 Title IV of Book VII, and those provided for in sections 965.20, 965.49, 965.50, 968 and 968.1.”

(2) This section has effect from 1 January 1991.

60. (1) Section 311 of the said Act, amended by section 15 of chapter 7 of the statutes of 1990, is amended

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

“(g) a benefit under a deferred profit sharing plan, to the extent provided in Title II of Book VII;”;

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

“(k) a benefit under a registered retirement income fund, to the extent provided in Title V.1 of Book VII;”.

(2) This section has effect from 1 January 1991.

61. (1) Section 311.1 of the said Act, replaced by section 140 of chapter 59 of the statutes of 1990, is again replaced by the following section:

“311.1 A taxpayer shall also include any amount received by him in the year as a social assistance payment based on a means, needs or income test, if such payment is made in respect of the taxpayer or of a person who, at the time of the payment, is related to the taxpayer or is a person in respect of whom any individual is entitled to receive a family allowance payment under the Family Allowances Act, 1973 (Statutes of Canada), or any amount received as such a payment by his spouse who resides with him at the time of the payment and whose income for the year, determined without taking account of this section, section 313.1 or Chapter VIII of Title VI, is less than his income so determined for the year, except where the taxpayer resides with his spouse at the time of the payment and the income of the taxpayer for the year, determined without taking account of this section, section 313.1 or Chapter VIII of Title VI, is less than his spouse’s income so determined for the year.”

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

62. (1) Section 312 of the said Act, amended by section 141 of chapter 59 of the statutes of 1990, is again amended

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

“(c) an amount received as an annuity payment, except

i. an amount that must otherwise be included in computing his income for the year;

ii. an amount with respect to an interest in an annuity contract to which section 92.9 applies or would apply if the interest had been last acquired between 19 December 1980 and 2 December 1982, other than a contract to which section 92.9 does not apply in the year by reason of section 92.14;

iii. an amount with respect to an interest in an annuity contract to which section 92.11 applies;”;

(2) by striking out paragraph c.1;

(3) by inserting, after paragraph f, the following paragraph:

“(f.1) an amount received as an award or reimbursement in respect of judicial or extrajudicial expenses, other than those relating

to a division or settlement of property arising from a marriage or other conjugal relationship, paid to collect or establish a right to a retiring allowance or a benefit under a pension plan, other than a benefit under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or a similar plan, within the meaning of the said Act, in respect of employment;”.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of contracts acquired or materially altered after 31 December 1989.

(3) Paragraph 3 of subsection 1 applies in respect of amounts received after 31 December 1985, other than amounts received as an award or reimbursement in respect of judicial or extrajudicial expenses paid before 1 January 1986.

63. (1) Section 313.1 of the said Act is replaced by the following section:

“313.1 The taxpayer shall also include the amount of any grant received by him in the year under a prescribed program relating to home insulation or energy conversion or so received in the year by his spouse who resides with him at the time of payment and whose income for the year, determined without reference to this section, section 311.1 and Chapter VIII of Title VI, is less than the taxpayer’s income so determined for the year, to the extent that paragraph s of section 87 does not require the inclusion of such amount in computing the taxpayer’s income or that of his spouse for the year or a subsequent year, except where the taxpayer resides with his spouse at the time of payment and the taxpayer’s income for the year, determined without reference to this section, section 311.1 and Chapter VIII of Title VI, is less than the spouse’s income so determined for the year.”

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

64. (1) Section 326 of the said Act is replaced by the following section:

“326. This chapter does not apply to an amount received out of or under a registered pension plan.”

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

65. (1) Section 335 of the said Act is amended

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

“335. Where an individual is, throughout all or part of a taxation year, absent from but resident in Québec, Chapters III, VII, VIII and IX.0.1 apply in his respect for the year or that part of the year, taking into account the following rules:

(a) paragraph *a* of section 337 and sections 347, 348 and 358.0.1 shall be read without taking into account the words “in Canada”;

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

“(c) the second paragraph of each of sections 353 and 358.0.1 shall be read without taking into account the words “, including, where the payee is an individual, the social insurance number of the latter individual” where the expenses contemplated therein have been paid to a person not resident in Canada”.

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

66. (1) Section 336 of the said Act, amended by section 151 of chapter 59 of the statutes of 1990, is again amended, in subsection 1,

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

“(e.1) an amount equal to the amount by which the lesser of the following amounts exceeds the portion of the aggregate described in subparagraph *i* in respect of the taxpayer that may reasonably be considered to have been deductible under this paragraph in computing the taxpayer’s income for a preceding taxation year:

i. the aggregate of the judicial or extrajudicial expenses, other than those relating to a division or settlement of property arising from a marriage or other conjugal relationship, paid by the taxpayer after 31 December 1985 and in the year or any of the seven preceding taxation years to collect or establish a right to an amount of a benefit under a pension plan, other than a benefit under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or a similar plan, within the meaning of the said Act, in respect of the employment of the taxpayer or a deceased individual of whom the taxpayer was a dependent, legal representative or relation, or a retiring allowance of the taxpayer or a deceased individual of whom the taxpayer was a dependent, legal representative or relation;

ii. the amount by which the aggregate of all amounts each of which is a benefit or retiring allowance described in subparagraph *i* that is received after 31 December 1985, in respect of which judicial or extrajudicial expenses described in the said subparagraph *i* were paid, and that is included in computing the taxpayer’s income for the year or a preceding taxation year, or an amount included in computing

the taxpayer's income under paragraph *f.1* of section 312 for the year or a preceding taxation year, exceeds the aggregate of all amounts each of which is an amount deducted under paragraphs *d*, *d.0.1*, *d.1* and *d.2* of section 339 in computing the taxpayer's income for the year or a preceding taxation year, to the extent that the latter amount may reasonably be considered to have been deductible as a consequence of the receipt of an amount that is a benefit or retiring allowance referred to in this subparagraph;";

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

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

"(*j*) the amount of tax payable by the taxpayer for the year under Part I.2 of the Income Tax Act (Statutes of Canada)."

(2) Paragraph 1 of subsection 1 applies from the taxation year 1986. However, where subparagraph ii of paragraph *e.1* of subsection 1 of section 336 of the Taxation Act, enacted by this section, applies to the taxation years 1986 and 1987, the reference therein to "*d.0.1*, *d.1* and *d.2*" shall read as a reference to "and *d.1*", and where it applies to the taxation year 1988, the said reference shall read as a reference to "*d.0.1* and *d.1*".

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 1989.

67. (1) Section 339 of the said Act is amended

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

"(*b*) any amount deductible under Title IV of Book VII in computing his income for the year;";

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

"(*d*) the amount that, by virtue of paragraph *j* of section 60 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act;";

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

"(*d.0.1*) for his taxation year 1988, such particular part of the aggregate of all amounts each of which is an amount received by him before 28 March 1988 that can reasonably be considered to be a payment in respect of an actuarial surplus under a defined benefit

provision, within the meaning of section 965.0.1, of a registered pension plan and that is included in computing his income for the year under section 317, other than any portion of the amount deducted by him under section 339.5 in computing his income for the year,

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year

(1) as a contribution to or under a registered pension plan for his benefit, other than the portion thereof deductible under paragraph *d* or *d.1*, paragraph *c* of section 70 or section 72.1 in computing his income for the year, or

(2) as a premium under a registered retirement savings plan under which he is the annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *d*, *d.1* or *f*;"

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

"(*d.1*) the amount that, by virtue of paragraph *j.1* of section 60 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act;"

(5) by inserting, after paragraph *d.1*, the following paragraph:

"(*d.2*) the amount that, by virtue of paragraph *j.2* of section 60 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act;"

(6) by striking out paragraph *e*;

(7) by replacing paragraph *f* by the following paragraph:

"(*f*) the amount that, by virtue of paragraph *l* of section 60 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act;"

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

"(*i*) the amount that, by virtue of paragraph *v* of section 60 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act."

(2) Paragraphs 1 and 8 of subsection 1 have effect from 1 January 1991.

(3) Paragraphs 2 and 4 of subsection 1 apply from the taxation year 1986. However,

(a) where paragraph *d* of section 339 of the Taxation Act, enacted by the said paragraph 2, applies

i. to the taxation years 1986 and 1987, it shall read as follows:

“(d) such particular part of the aggregate of all amounts each of which is an amount included in computing his income for the year under section 317, where the amount is an amount described in section 339.3, or under section 885, other than any portion of that amount deducted by him under section 339.5 in computing his income for the year,

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year

(1) as a contribution to or under a registered pension plan for his benefit, other than the portion thereof deductible under paragraph *c* of section 70 or section 72.1 in computing his income for the year, or

(2) as a premium under a registered retirement savings plan under which he is the annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *f*”;

ii. to the taxation year 1988, it shall read as follows:

“(d) such particular part of the aggregate of all amounts each of which is an amount received by him, other than any portion of that amount deducted by him under section 339.5 in computing his income for the year, that cannot reasonably be considered to be a payment in respect of an actuarial surplus under a defined benefit provision, within the meaning of section 965.0.1, of a registered pension plan and that is included in computing his income for the year under section 317, where the amount is an amount described in section 339.3, or under section 885, or an eligible amount in respect of the taxpayer for the year pursuant to section 669.1,

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year

(1) as a contribution to or under a registered pension plan for his benefit, other than the portion thereof deductible under paragraph *c* of section 70 or section 72.1 in computing his income for the year, or

(2) as a premium under a registered retirement savings plan under which he is the annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *f*;

iii. to the taxation year 1989, it shall read as follows:

“(d) such particular part of the aggregate of all amounts each of which is an amount received by him, other than any portion of that amount deducted by him under section 339.5 in computing his income for the year, that is part of a series of periodic payments, that cannot reasonably be considered to be a payment in respect of an actuarial surplus under a defined benefit provision, within the meaning of section 965.0.1, of a registered pension plan and that is included in computing his income for the year under section 317, where the amount is an amount described in paragraph *a* of section 339.3, or under section 885, an amount received by him, other than any portion of the amount deducted by him under section 339.5 in computing his income for the year and that is included in computing his income for the year under section 317, where the amount is an amount described in paragraph *b* or *c* of section 339.3, an eligible amount in respect of the taxpayer for the year pursuant to section 669.1 or 669.1.1 or paragraph *d* of section 888, or a prescribed amount,

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year

(1) as a contribution to or under a registered pension plan for his benefit, other than the portion thereof deductible under paragraph

c of section 70 or section 72.1 in computing his income for the year, or

(2) as a premium under a registered retirement savings plan under which he is the annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *f*;"

iv. to the taxation year 1990, it shall read as follows, subject to subparagraph v:

"(d) such particular part of the aggregate of all amounts each of which is a pension benefit, other than any amount in respect of a benefit that is deducted in computing his taxable income for a taxation year by reason of paragraph *a* of section 725 or a benefit that is part of a series of periodic payments, payable out of or under a pension plan that is not a registered pension plan, attributable to services rendered by the taxpayer or by his spouse, within the meaning of section 905.3, or former spouse, in a period throughout which he was not resident in Canada and included in computing the income of the taxpayer for the year by reason of section 317, or an eligible amount in respect of the taxpayer for the year pursuant to section 669.1 or 669.1.1 or paragraph *d* of section 888,

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year

(1) as a contribution to or under a registered pension plan for his benefit, other than the portion thereof deductible under paragraph *c* of section 70 or section 72.1 in computing his income for the year, or

(2) as a premium under a registered retirement savings plan under which he is the annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *f*;"

v. to the taxation year 1990, in respect of amounts payable in the year, before 7 June 1990, that part of paragraph *d*, as enacted by subparagraph iv, preceding subparagraph i shall read as if the reference therein to "the taxpayer or by his spouse, within the meaning of section 905.3, or former spouse," were a reference to "a person", adapted as required;

(b) where paragraph *d.1* of section 339 of the Taxation Act, enacted by paragraph 4, applies to the taxation years 1986 to 1990, it shall read as follows, subject to subsection 4:

“(d.1) such part of the aggregate of all amounts each of which is an amount paid to the taxpayer by an employer, or under a retirement compensation arrangement to which the employer has contributed, as a retiring allowance and included in computing his income for the year under paragraph *a* of section 311 or under section 313.5 where it refers to an amount provided for in paragraph *a* of section 890.9

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the lesser of the excess amount described in section 339.1 and the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year

(1) as a contribution to or under a registered pension plan for his benefit, other than the portion thereof deductible under paragraph *c* of section 70 or paragraph *d* in computing his income for the year, or

(2) as a premium under a registered retirement savings plan under which he is the annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *d* or *f*,”.

(4) Notwithstanding subparagraph *b* of paragraph 3 of this section, where paragraph *d.1* of section 339 of the Taxation Act, enacted by the said subparagraph *b*, applies to the taxation year 1986 and before 9 October 1986, that part of the said paragraph *d.1* preceding subparagraph *i* shall read as follows:

“(d.1) such part of the aggregate of all amounts each of which is an amount paid to the taxpayer by an employer as a retiring allowance and included in computing his income for the year under paragraph *a* of section 311”.

(5) Paragraphs 5 and 7 of subsection 1 apply from the taxation year 1989. However,

(a) where paragraph *d.2* of section 339 of the Taxation Act, enacted by the said paragraph 5, applies to the taxation years 1989 and 1990, it shall read as follows:

“(d.2) such part of the aggregate of all amounts, other than amounts paid out of or under a registered retirement savings plan or a registered retirement income fund that, by reason of section 2.3, are considered to be amounts paid out of or under a registered pension plan, paid on a periodic basis out of or under a registered pension plan or a deferred profit sharing plan and included in computing his income for the year under Chapter II or IV of Title V

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the least of the following amounts:

(1) \$6 000,

(2) the amount by which that aggregate exceeds the part of that aggregate designated for the year for the purposes of paragraph *d* or deducted under paragraph *e* in computing his income for the year, and

(3) the aggregate of all amounts each of which is an amount paid by him in the year or within 60 days after the end of the year as a premium under a registered retirement savings plan under which the taxpayer’s spouse is the annuitant, within the meaning of paragraph *b* of section 905.1, to the extent that the amount was not deducted in computing the taxpayer’s income for a preceding taxation year;”;

(b) where paragraph *f* of section 339 of the Taxation Act, enacted by the said paragraph 7, applies to the taxation years 1989 and 1990, it shall read as follows:

“(f) such part of the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him or on his behalf in the year or within 60 days after the end of the year as a premium under a registered retirement savings plan under which he is the annuitant, to acquire, from a person licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada or a province an annuities business, an annuity described in section 339.4 under which he is the annuitant or an annuity that does not provide for any payment thereunder other than those described in subparagraphs *a* to *c* of the second paragraph of the said section, under which the taxpayer, or a trust under which the taxpayer is the only person to have a beneficial interest in all the amounts payable under the annuity, is the annuitant for a number of years that is not greater than the difference between 18 and the age of the taxpayer at the time of the acquisition of the annuity, or to a carrier as consideration for a registered retirement income fund under which the taxpayer is the annuitant,

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the aggregate of the following amounts:

(1) the amount included in computing his income for the year as a refund of premiums out of or under a registered retirement savings plan under which the taxpayer's spouse was the annuitant,

(2) the amount included in computing his income for the year as a refund of premiums out of or under a registered retirement savings plan, where the taxpayer was dependent on the annuitant under the plan by reason of physical or mental infirmity,

(3) the lesser of the amount paid by him or on his behalf to acquire an annuity that would be described in that part preceding subparagraph i if that part were read without reference to "an annuity described in section 339.4 under which he is the annuitant or", and the amount, other than any portion thereof included in the amount determined under subparagraph 2 included in computing his income for the year as a payment, other than a payment that is part of a series of periodic payments or that relates to an actuarial surplus, received by him out of or under a registered pension plan, or as a refund of premiums out of or under a registered retirement savings plan, as a consequence of the death of an individual, where the taxpayer is a child or grandchild of the individual, and

(4) where the amount is paid by a direct transfer from the issuer of a registered retirement savings plan or a carrier of a registered retirement income fund, the amount included in computing his income for the year as a consequence of a payment described in subparagraph ii of paragraph b of subsection 1 of section 908 and the portion of the amount received by the taxpayer out of or under a registered retirement income fund and included in computing his income for the year by virtue of section 961.17 that exceeds the minimum amount, within the meaning of paragraph c of section 961.1.5, required to be paid to the annuitant in the year under that fund;"

(6) Paragraph 6 of subsection 1 applies from the taxation year 1990. Furthermore, where paragraph e of section 339 of the Taxation Act, repealed by paragraph 6, applies to the taxation year 1989, it shall read as follows:

“(e) the least of

i. the aggregate of all amounts each of which is an amount paid by him in the year or within 60 days after the end of the year to a

trustee under a deferred profit sharing plan that had at least five beneficiaries at all times throughout the year, to the extent that the amount was not deducted in computing his income for the preceding taxation year,

ii. the aggregate of all amounts each of which is an amount that is included in computing his income for the year by reason of section 885 and is either part of a series of periodic payments or a prescribed amount, and

iii. the amount by which the aggregate of the following amounts exceeds the amount deductible in computing his income for the year under paragraph *d*:

(1) the aggregate that is determined under that part of paragraph *d* preceding subparagraph *i* in respect of the taxpayer for the year, and

(2) the aggregate of all amounts each of which is such portion of a prescribed amount as is not included in the aggregate referred to in subparagraph 1;”.

68. (1) Sections 339.1 to 339.4 of the said Act are repealed.

(2) This section, where it repeals sections 339.1, 339.2 and 339.4 of the Taxation Act, applies from the taxation year 1991. Furthermore,

(a) where section 339.1 of the Taxation Act, repealed by this section, applies to the taxation years 1989 and 1990, paragraph *b* thereof shall read as follows:

“(b) of the product of \$1 500 times the number by which the number of years before 1989 contemplated in paragraph *a* exceeds the number that can reasonably be regarded as the equivalent number of years before 1989 in respect of which employer contributions under either a pension plan or a deferred profit sharing plan of the employer or a person related to the employer had vested in the retiree at the time of the payment described in paragraph *a*; exceeds”;

(b) where section 339.4 of the Taxation Act, repealed by this section, applies to the taxation years 1988 to 1990, subparagraph *a* of the first paragraph thereof shall read as follows:

“(a) for the life of the taxpayer, or for the lives jointly of the taxpayer and his spouse, either with a guaranteed period that is not greater than 90 years minus his age, or the age of his spouse, “spouse” having the meaning assigned by section 905.3 for the purposes of this

section, at the time of its acquisition, or without a guaranteed period;”.

(3) This section, where it repeals section 339.3 of the Taxation Act, applies from the taxation year 1990. Furthermore, where section 339.3 of the Taxation Act, repealed by this section, applies

(a) to the taxation years 1986 and 1987

i. paragraph *a* thereof shall read as follows:

“(a) an amount received out of or under a registered pension plan;”;

ii. paragraph *c* thereof shall read as follows:

“(c) a pension, supplement or spouse’s allowance under the Old Age Security Act (Statutes of Canada), a similar payment made under a law of a province or a benefit paid under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or a similar plan within the meaning of the latter Act.”;

(b) to the taxation years 1988 and 1989, it shall read as follows:

“**339.3** The amounts referred to in paragraph *d* of section 339 are

(a) amounts received out of or under a registered pension plan;

(b) pension benefits attributable to services rendered by a person in a period throughout which he was not resident in Canada; or

(c) a pension, supplement or spouse’s allowance under the Old Age Security Act (Statutes of Canada), a similar payment made under a law of a province or a benefit paid under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or a similar plan within the meaning of the latter Act.”

69. (1) The said Act is amended by inserting, after section 339.4, the following:

“CHAPTER IV.1

“ADDITIONAL VOLUNTARY CONTRIBUTIONS

“**339.5** A taxpayer may deduct in computing his income for a taxation year an amount equal to the aggregate of the following amounts:

(a) where the taxation year ends before 1 January 1991, the aggregate of all amounts each of which is that portion of an amount paid to the taxpayer before 1 January 1991 and included in computing his income for the year or a preceding taxation year by reason of section 310, to the extent that the said section refers to Title IV of Book VII, paragraph *k* of section 311 or section 317, that may reasonably be considered as a refund of additional voluntary contributions made by the taxpayer before 9 October 1986 to a registered pension plan for his benefit in respect of services rendered by him before the year in which the contributions were made, to the extent that the contributions were not deducted in computing his income for any taxation year, and

(b) the least of

i. \$3 500,

ii. the aggregate of all amounts each of which is an amount included after 31 December 1986 in computing his income for the year by reason of section 310, to the extent that the said section refers to Title IV of Book VII, paragraph *k* of section 311, paragraph *c.2* of section 312 or section 317, and

iii. the balance of the annuitized voluntary contributions of the taxpayer at the end of the year.

“339.6 For the purposes of section 339.5, the balance of the annuitized voluntary contributions of the taxpayer at the end of a taxation year is equal to the amount by which

(a) such part of the aggregate of all amounts each of which is an additional voluntary contribution made by the taxpayer to a registered pension plan before 9 October 1986 in respect of services rendered by him before the year in which the contribution was made, to the extent that the contribution was not deducted in computing his income for any taxation year, as may reasonably be considered as having been used before 9 October 1986 to acquire or provide an annuity for the taxpayer’s benefit under a registered pension plan or registered retirement savings plan, or as having been transferred before 9 October 1986 to a registered retirement income fund under which the taxpayer was the annuitant, within the meaning of paragraph *d* of section 961.1.5, at the time of the transfer, exceeds

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

i. an amount deducted in computing his income for a preceding taxation year under paragraph *b* of section 339.5, or

ii. an amount deducted in computing his income for the year or a preceding taxation year under paragraph *a* of section 339.5, to the extent that the amount can reasonably be considered to be in respect of a refund of additional voluntary contributions included in determining the aggregate under paragraph *a*.”

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

70. (1) Section 340 of the said Act is amended by replacing that part preceding paragraph *a* of the French text by the following:

“340. Dans le cas d’une prestation de retraite, d’une prestation au décès, d’une prestation en vertu d’un régime enregistré d’épargne-retraite ou d’un régime de participation différée aux bénéfices, reçue dans l’année au décès d’un prédécesseur ou après ce décès en paiement ou au titre d’un bien dont il hérite, le contribuable peut déduire la proportion de cette prestation représentée par le rapport entre:”.

(2) This section has effect from 1 January 1991.

71. (1) Section 350 of the said Act is amended by replacing paragraph *f* of the French text by the following paragraph:

“f) les frais légaux engagés pour l’acquisition de sa nouvelle résidence et nécessaires à cette acquisition ainsi que tout droit afférent à la mutation de cette résidence ou à l’enregistrement de l’acte de vente de cette dernière, lorsque lui ou son conjoint vend son ancienne résidence par suite du déménagement.”

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

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

“CHAPTER IX.0.1

“DEDUCTION FOR HANDICAPPED WORKERS

“358.0.1 Where an individual in respect of whom an amount may be deducted by reason of sections 752.0.14 to 752.0.16 for a taxation year files with his fiscal return under this Part for the year, other than a fiscal return filed under section 429, 681, 782 or 1003, a prescribed form containing prescribed information, there may be deducted in computing his income for the year an amount equal to the least of the following amounts:

(a) the aggregate of all amounts each of which is an amount

i. that was paid in the year by the individual to a person, other than a person related to him or a person under 18 years of age, on account of attendant care provided in Canada to the individual to enable him to perform the duties of an office or employment, to carry on a business either alone or as a partner actively engaged in the business, to undertake an occupational training course in respect of which he received a training allowance under the National Training Act (Statutes of Canada), or to carry on research or any similar work in respect of which he received a grant, and

ii. that is not included in computing a deduction under sections 752.0.11 to 752.0.13 for the year or any subsequent taxation year;

(b) $\frac{2}{3}$ of the aggregate of all amounts each of which is

i. an amount included under sections 32 to 58 in computing the individual's income for the year from an office or employment,

ii. an amount included in computing the individual's income for the year under paragraph *e*, *g* or *h* of section 312, or

iii. the individual's income for the year from a business carried on either alone or as a partner actively engaged in the business;

(c) \$5 000.

However, the payment of an amount described in subparagraph *a* of the first paragraph may be included in computing a deduction under the said paragraph only if proof of payment of the amount is given by filing with the Minister one or more receipts issued by the payee, including, where the payee is an individual, the social insurance number of the latter individual."

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

73. (1) Section 398 of the said Act is amended

(1) by striking out the word "and" at the end of paragraph *c*;

(2) by replacing the period at the end of paragraph *d* by a semicolon and the word "and";

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

"(e) such part of an amount described in paragraph *e* of section 399 as has been repaid by him before that time pursuant to a legal obligation to repay all or any part of that amount."

(2) This section applies in respect of amounts repaid after 31 January 1990.

74. (1) Section 411 of the said Act is amended

(1) by striking out the word "and" at the end of paragraph *b*;

(2) by replacing the period at the end of paragraph *c* by a semicolon and the word "and";

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

"(d) such part of an amount described in paragraph *h* of section 412 as has been repaid by him before that time pursuant to a legal obligation to repay all or any part of that amount."

(2) This section applies in respect of amounts repaid after 31 January 1990.

75. (1) Section 418.5 of the said Act is amended

(1) by striking out the word "and" at the end of paragraph *b*;

(2) by adding the word "and" at the end of paragraph *c*;

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

"(d) of such part of an amount contemplated in paragraph *e* of section 418.6 as has been repaid by him before that time pursuant to a legal obligation to repay all or any part of that amount."

(2) This section applies in respect of amounts repaid after 31 January 1990.

76. (1) Section 462.24 of the said Act is amended by replacing paragraph *a.1* by the following paragraph:

"(a.1) as an amount contributed under a provincial pension plan prescribed for the purposes of paragraph *v* of section 60 of the Income Tax Act (Statutes of Canada) under which the individual's spouse is, immediately after the transfer, the annuitant within the meaning of paragraph *b* of section 905.1 or the owner of the account under the plan, to the extent that the amount does not exceed the amount by which the amount prescribed for the purposes of subparagraph *ii* of paragraph *v* of section 60 of the said Act for the year in respect of the plan exceeds the aggregate of all other contributions to the plan for the year to the account of the spouse under the plan;"

(2) This section has effect from 1 January 1991.

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

“(a) by a trust governed by a registered pension plan, a profit sharing plan, a registered supplementary unemployment benefit plan, a registered retirement savings plan, a deferred profit sharing plan, a registered education savings plan, a registered home ownership savings plan, a registered retirement income fund or an employee benefit plan;”.

(2) This section has effect from 1 January 1986. However, where it applies after 31 December 1985 and before 1 January 1991, paragraph *a* of section 467.1 of the Taxation Act, enacted by it, shall read as if the reference in the French text thereof to “régime de participation différée aux bénéfices” were a reference to “régime d’intéressement différé”.

78. (1) Sections 486 and 487 of the said Act are replaced by the following sections:

“486. Where a taxpayer, under a contract, pays to another person a particular amount that may reasonably be considered to have been received by the other person as a reimbursement, contribution or allowance in respect of an amount paid or payable by the other person, the latter amount is included in computing the income of that other person under section 89 or denied as a deduction in computing the income of such other person under section 144 and the taxpayer, at the time of payment of the particular amount, was resident in Canada or carrying on business in Canada, the following rules apply for the purposes of this Part, except this section:

(a) the taxpayer is deemed neither to have paid nor to have become obligated to pay the particular amount to the other person but to have paid an amount contemplated in section 144 equal to the particular amount;

(b) the other person is deemed neither to have received nor to have become entitled to receive the particular amount from the taxpayer.

“487. Where a taxpayer includes, in computing his income from a farming business for a taxation year, a particular amount in respect of the forced destruction of livestock in the year under an Act, he may, subject to section 487.0.4, deduct in computing that income for that year an amount not exceeding the particular amount.

The amount deducted by the taxpayer under the first paragraph in computing his income from a farming business for a taxation year

is deemed to be income of the taxpayer from such business for the subsequent taxation year.”

(2) This section, where it replaces section 486 of the Taxation Act, applies in respect of payments made after 31 January 1990, and where it replaces section 487 of the said Act, it applies to taxation years or fiscal periods ending after 31 December 1987.

79. (1) The said Act is amended by inserting, after section 487, the following sections:

“487.0.1 In this section and sections 487.0.2 and 487.0.3,

“breeding animals” means animals that are over 12 months of age and are horses kept for breeding in the commercial production of pregnant mares’ urine or bison, bovine cattle, sheep or goats kept for breeding;

“breeding herd” of a taxpayer at any time means the number of animals determined at that time, in respect of the taxpayer, by the formula

$$A - (B - C).$$

For the purposes of the formula set forth in the definition of “breeding herd” set forth in the first paragraph,

(a) A is the total number of the taxpayer’s breeding animals held in the course of carrying on a farming business at that time;

(b) B is the total number of the taxpayer’s breeding animals held in the farming business at that time that are female bovine cattle that have not given birth to calves;

(c) C is the lesser of the number of animals determined as the value of B and one-half of the total number of the taxpayer’s breeding animals held in the farming business at that time that are female bovine cattle that have given birth to calves.

“487.0.2 A taxpayer who, in a taxation year, carries on a farming business in a region that is a drought region, within the meaning of the regulations, at any time in the year and whose breeding herd at the end of the year in respect of the business does not exceed 85 % of his breeding herd at the beginning of the year in respect of the business, may deduct, in computing his income from the business for the year, an amount not exceeding the amount determined for the year, in respect of the taxpayer’s business, by the formula

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

For the purposes of the formula set forth in the first paragraph,

(a) A is the amount by which the aggregate of the particular amounts included, in respect of the sale of breeding animals in the year, in computing the taxpayer's income from the business for the year exceeds the aggregate of all amounts deducted under section 153, in respect of the particular amounts, in computing the taxpayer's income from the business for the year;

(b) B is the aggregate of all amounts deducted, in respect of the acquisition of breeding animals, in computing the taxpayer's income from the business for the year;

(c) C is 30 % where the taxpayer's breeding herd at the end of the year in respect of the business exceeds 70 % of his breeding herd at the beginning of the year in respect of the business, and 90 % in all other cases.

“487.0.3 The amount deducted under section 487.0.2 in computing the income of a taxpayer for a taxation year from a farming business carried on in a drought region, within the meaning of the regulations made under this section, is deemed to be income of the taxpayer from the business for the taxpayer's first taxation year commencing after the end of the period or series of continuous periods, as the case may be, for which the region was a drought region or, where the taxpayer has died before the beginning of that first taxation year, for the taxation year in which he died, except to the extent that the amount has been included in computing the taxpayer's income from the business for a preceding taxation year.

“487.0.4 Section 487.0.2 and the first paragraph of section 487 do not apply to a taxpayer, in respect of a farming business, for a taxation year in which the taxpayer died or where the taxpayer is not resident in Canada at the end of the year and, at any time in the year, did not carry on the business in Canada.”

(2) This section applies to taxation years or fiscal periods ending after 31 December 1987.

30. (1) Section 497 of the said Act, amended by section 179 of chapter 59 of the statutes of 1990, is replaced by the following section:

“497. (1) A taxpayer shall include, in computing his income for a taxation year, the aggregate of the following amounts:

(a) the aggregate of all amounts each of which is a taxable dividend received by him at any time in the year on a share acquired before that time and after 30 April 1989 from a corporation resident in Canada as part of a dividend rental arrangement of the taxpayer or received by him in the year from a corporation resident in Canada that is not a taxable Canadian corporation, and

(b) the amount by which the aggregate of the amounts received by him in the year from a corporation resident in Canada as taxable dividends, other than an amount included in computing his income by reason of paragraph *a*, exceeds the aggregate, where the taxpayer is an individual, of the amounts paid by him in the year after 31 May 1989 that are deemed, under section 21.32, to have been received by another person as a taxable dividend.

(2) The taxpayer shall also include therein, if he is an individual other than a trust that is a registered charity, 1/4 of the excess amount determined in his respect under paragraph *b* of subsection 1 for the year.”

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

81. (1) Section 647 of the said Act, amended by section 218 of chapter 59 of the statutes of 1990, is again amended by replacing subparagraph *a* of the third paragraph by the following subparagraph:

“(a) an employee trust, a trust referred to in paragraph *c.4* of section 998 or a trust governed by a registered pension plan, a profit sharing plan, a registered supplementary unemployment benefit plan, a registered retirement savings plan, a deferred profit sharing plan, a registered education savings plan, a registered home ownership savings plan, an employee benefit plan or a registered retirement income fund;”.

(2) This section has effect from 1 January 1991. Furthermore, where the third paragraph of section 647 of the Taxation Act, amended by subsection 1, applies after 31 December 1985 and before 1 January 1991, it shall read as if the reference therein to a “registered retirement plan” were a reference to a “registered pension plan”.

82. (1) Section 669.1 of the said Act is replaced by the following section:

“669.1 Where a testamentary trust has received a pension benefit in a taxation year throughout which it was resident in Canada and has designated, in its fiscal return for the year under this Part, an amount in respect of a beneficiary under the trust equal to such

portion, in this section referred to as the “beneficiary’s share”, of the benefit as has been designated by the trust exclusively to the beneficiary and as may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, by reason of section 663, was included in computing the income of the beneficiary for the particular taxation year, the beneficiary’s share in respect of the benefit is deemed, for the purposes of sections 752.0.8 and 752.0.9, to be a payment described in subparagraph *a* of the first paragraph of section 752.0.8 that is included in computing the beneficiary’s income for the particular taxation year where the benefit is an amount described in subparagraph *a* of the first paragraph of section 752.0.8 and the beneficiary was the spouse, within the meaning of section 905.3, of the settlor of the trust.”

(2) This section applies from the taxation year 1988. However, where section 669.1 of the Taxation Act, enacted by subsection 1, applies

(a) to the taxation year 1988, it shall read as follows:

“669.1 Where a testamentary trust has received a pension benefit in a taxation year throughout which it was resident in Canada and has designated, in its fiscal return for the year under this Part, an amount in respect of a beneficiary under the trust equal to such portion, in this section referred to as the “beneficiary’s share”, of the benefit as has been designated by the trust exclusively to the beneficiary and as may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, by reason of section 663, was included in computing the income of the beneficiary for the particular taxation year, the following rules apply:

(a) the beneficiary’s share in respect of the benefit is deemed, for the purposes of sections 752.0.8 and 752.0.9, to be a payment described in subparagraph *a* of the first paragraph of section 752.0.8 that is included in computing the beneficiary’s income for the particular taxation year where the benefit is an amount described in subparagraph *a* of the first paragraph of section 752.0.8 and the beneficiary was the spouse, within the meaning of section 905.3, of the settlor of the trust, and

(b) the beneficiary’s share in respect of the benefit is, for the purposes of paragraph *d* of section 339, an eligible amount in respect of the beneficiary for the particular taxation year where the benefit

i. is a single amount, within the meaning of section 965.0.1, other than an amount that relates to an actuarial surplus, paid to the trust by a registered pension plan as a consequence of the death of the settlor of the trust who was, at the time of his death, the spouse of the beneficiary, or

ii. would be an amount included in the aggregate determined under paragraph *d* or *d.0.1* of section 339 in respect of the beneficiary for his taxation year in which the benefit was received by the trust, if the benefit had been received by the beneficiary at the time it was received by the trust.”;

(*b*) to the taxation year 1989, it shall read as it is to read for the taxation year 1988 but with the addition, after paragraph *b* of the said section 669.1, enacted by paragraph *a*, of the following paragraph with the necessary adaptations:

“(c) the beneficiary’s share in respect of the benefit, other than any portion thereof that relates to an actuarial surplus, is deemed, for the purposes of paragraph *f* of section 339, to be an amount from a registered pension plan included in computing the beneficiary’s income for the particular taxation year as a payment and described in subparagraph 3 of subparagraph ii of the said paragraph where the benefit is a single amount, within the meaning of section 965.0.1, paid to the trust by a registered pension plan as a consequence of the death of the settlor of the trust and the beneficiary was, at the time of the settlor’s death, under 18 years of age and a child or grandchild of the settlor.”;

(c) to the taxation year 1990, it shall read as it is to read for the taxation year 1989, except that paragraph *b* of the said section 669.1, enacted by paragraph *a*, shall read without reference to paragraph *d.0.1* of section 339 of the said Act.

83. The said Act is amended by inserting, after section 669.1, the following section:

“669.1.1 Where a testamentary trust has received, after 31 December 1988 in a taxation year, in this section referred to as the “trust year”, throughout which it was resident in Canada an amount as a consequence of the death of the settlor of the trust, the amount is not part of a series of periodic payments and is from a deferred profit sharing plan in which the employer of the settlor of the trust participated on behalf of the settlor, that portion of the amount that meets the conditions set out in the second paragraph is, for the purposes of paragraph *d* of section 339, an eligible amount in respect of the beneficiary under the trust for the particular taxation year

ending before 1 January 1991 if that beneficiary was the spouse, within the meaning of section 905.3, of the settlor of the trust at the time of the settlor's death.

The conditions referred to in the first paragraph in respect of the portion of the amount described therein are as follows:

(a) the portion is included in computing the income of the trust for the trust year under section 885,

(b) the portion may reasonably be considered, having regard to all the circumstances and the terms and conditions of the trust arrangement, to be part of the amount that, by reason of section 663, was included in computing the beneficiary's income for the particular taxation year, and

(c) the portion is designated by the trust in respect of the beneficiary in its fiscal return for the trust year under this Part."

84. (1) Section 725.1.1 of the said Act, enacted by section 250 of chapter 59 of the statutes of 1990, is replaced by the following section:

"725.1.1 A taxpayer may deduct, in computing his taxable income for a taxation year, an amount equal to the amount deductible by him for the year in computing his taxable income for the purposes of the Income Tax Act (Statutes of Canada) under paragraph *k* of subsection 1 of section 110 of the said Act."

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

85. (1) The heading of Title V.1 of Book IV of Part I of the French text of the said Act is replaced by the following heading:

"OPTION D'ACHAT D'ACTIONS, RÉGIME DE PARTICIPATION DIFFÉRÉE AUX BÉNÉFICES, PRÊT À LA RÉINSTALLATION ET AUTRES".

(2) This section has effect from 1 January 1991.

86. (1) Section 726.23 of the said Act is amended by replacing paragraph *a* by the following paragraph:

"(a) that would, but for subparagraph *i* of paragraph *a* of section 42, be included in computing his income for the year; and".

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

37. (1) Paragraph *f* of section 737.18 of the said Act is amended

(1) by replacing paragraph *a* of section 725.6 of the said Act, enacted by the said paragraph *f*, by the following paragraph:

““(a) such part of the benefit that would have been deemed to have been received by the individual under sections 487.1 to 487.6 in the year if those sections had applied only in respect of the home relocation loan as may be considered to be attributed to the part of the year that is not included in that part of the prescribed period established in his regard which is included in that year and referred to in the first paragraph of section 737.16;””;

(2) by replacing that part of paragraph *b* of the said section 725.6 that is enacted by the said paragraph *f* by the following:

““(b) the amount of interest for that part of the year that is not included in that part of the prescribed period established in his regard which is included in that year and referred to in the first paragraph of section 737.16 that would be computed at the prescribed rate referred to in section 487.2 in respect of the home relocation loan if that loan were in the amount of \$25 000 and were extinguished on the earlier of ””.

(2) This section applies from the taxation year 1985.

38. (1) Paragraph *d* of section 737.22 of the said Act is amended by replacing paragraph *a* of section 725.6 of the said Act, enacted by the said paragraph *d*, by the following paragraph:

““(a) such part of the benefit that would have been deemed to have been received by the individual under sections 487.1 to 487.6 in the year if those sections had applied only in respect of the home relocation loan as may be considered to be attributed to the part of the year that is not included in his research activity period as defined in paragraph *c* of section 737.19;””.

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

39. (1) The said Act is amended by inserting, before section 740.5, the following section:

“740.4.1 No deduction may be made under section 738, 740 or 845 in computing the taxable income of a particular corporation in respect of a dividend received on a share of the capital stock of a corporation as part of a dividend rental arrangement of the particular corporation.”

(2) This section applies in respect of dividends received at any time by a corporation on shares acquired before that time and after 30 April 1989.

90. (1) Section 752.0.8 of the said Act is amended

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

“(c) as a payment under or out of a registered retirement income fund or under an amended fund referred to in section 961.9;

“(d) as an annuity payment under a deferred profit sharing plan or under a plan the registration of which is revoked by virtue of subsection 14 or 14.1 of section 147 of the Income Tax Act (Statutes of Canada);

“(e) as a payment referred to in subparagraph *v* of paragraph *k* of subsection 2 of section 147 of the Income Tax Act (Statutes of Canada);”;

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

“The amounts to which the first paragraph refers are the amounts that are included in computing the income of the individual for the year under sections 92.9 to 92.19.”

(2) Paragraph 1 of subsection 1, where it replaces subparagraph *c* of the first paragraph of section 752.0.8 of the Taxation Act, has effect from 19 December 1986, and where it replaces subparagraphs *d* and *e* of the said paragraph, it has effect from 1 January 1991.

(3) Paragraph 2 of subsection 1 applies in respect of contracts or life insurance policies acquired or materially altered after 31 December 1989.

91. (1) Section 752.0.9 of the said Act is amended

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

“(b) in subparagraphs *b* to *f* of the first paragraph of section 752.0.8 and in the second paragraph of the said section, if such amount is received as a consequence of the death of his spouse, within the meaning of section 905.3.”;

(2) by replacing subparagraph *c* of the second paragraph of the French text by the following subparagraph:

“*c*) n’a pas atteint l’âge de 60 ans et ne déduit pas un montant en vertu du paragraphe *d* de l’article 339 dans le calcul de son revenu pour l’année, sauf à l’égard d’un montant qu’il a inclus dans le calcul de son revenu en vertu de l’article 885 et qu’il a reçu en acquittement de tous ses droits en vertu d’un régime de participation différée aux bénéfices.”

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

(3) Paragraph 2 of subsection 1 has effect from 1 January 1991.

92. (1) Section 776.12 of the said Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of the first paragraph, a trust does not include a trust exempt from tax under sections 980 to 999.1 or governed by an employee benefit plan or by a plan the registration of which is revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Statutes of Canada).”

(2) This section has effect from 1 January 1991.

93. (1) Section 776.29 of the said Act is amended by replacing subparagraph *i* of subparagraph *c* of the first paragraph by the following subparagraph:

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

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

94. (1) Section 776.52 of the said Act is amended

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

“**776.52** For the purposes of section 776.51, the aggregate of all amounts deductible by the individual in computing his income for the year, under paragraph *c* of section 70 and paragraphs *b* and *d* to *d.2* of section 339, shall be established as if it were equal to the lesser of the following amounts:”;

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

“(b) the aggregate of the following amounts:

i. the amount otherwise so deductible for the year under paragraph *b* of section 339 by reason of section 923.5,

ii. the aggregate of all amounts each of which is an amount included in computing his income for the year and which is a single payment out of or under a deferred profit sharing plan or a pension plan

(1) as a consequence of the death, withdrawal from the plan or termination of employment of a person,

(2) on the winding-up of the plan in full satisfaction of all rights of the beneficiary under the plan, or

(3) to which he is entitled by reason of an amendment to the plan.”

(2) This section applies from the taxation year 1990. However, where section 776.52 of the Taxation Act, amended by subsection 1, applies to the taxation year 1990,

(a) that part of the said section 776.52 preceding paragraph *a* shall read as follows:

“776.52 For the purposes of section 776.51, the aggregate of all amounts deductible by the individual in computing his income for the year, under paragraph *c* of section 70, section 72.1 and paragraphs *b* and *d* to *d.2* of section 339, shall be established as if it were equal to the lesser of the following amounts:”;

(b) paragraph *b* of the said section 776.52 shall read as follows:

“(b) the aggregate of all amounts each of which is an amount included in computing his income for the year and which is a single payment out of or under a deferred profit sharing plan or a pension plan

i. as a consequence of the death, withdrawal from the plan or termination of employment of a person,

ii. on the winding-up of the plan in full satisfaction of all rights of the beneficiary under the plan, or

iii. to which he is entitled by reason of an amendment to the plan.”

95. (1) Section 841 of the said Act, amended by section 318 of chapter 59 of the statutes of 1990, is again amended by striking out paragraph *h*.

(2) This section applies to taxation years commencing after 17 June 1987 and ending after 31 December 1987.

96. (1) Section 851.19 of the said Act is replaced by the following section:

“851.19 For the purposes of this chapter, where a segregated fund policy is issued or effected as a registered retirement savings plan or is issued pursuant to a registered pension plan, the policyholder is deemed to be a trust described in paragraph *h* of section 998 or a trust or corporation described in paragraph *d* of the said section, as the case may be.”

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

97. (1) Section 854 of the said Act is replaced by the following section:

“854. Where, for the purposes of the Income Tax Act (Statutes of Canada), a profit sharing plan is accepted by the Minister of National Revenue for registration as a deferred profit sharing plan, the taxation year of the trust governed by the profit sharing plan is deemed, for the purposes of this Part, to have ended immediately before the plan is deemed to have become registered as a deferred profit sharing plan pursuant to subsection 5 of section 147 of the said Act.”

(2) This section has effect from 1 January 1991.

98. (1) The heading of Title II of Book VII of Part I of the French text of the said Act is replaced by the following heading:

“RÉGIME DE PARTICIPATION DIFFÉRÉE AUX BÉNÉFICES”.

(2) This section has effect from 1 January 1991.

99. (1) Sections 870 and 871 of the said Act are replaced by the following sections:

“870. In this title,

“forfeited amount” under a deferred profit sharing plan or a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Statutes of Canada) means an amount to which a beneficiary under the plan has ceased to have any rights, other than that portion of the amount that is payable, as a consequence of the death of the beneficiary, to a person who is entitled thereto by virtue of the participation of the beneficiary in the plan;

“deferred profit sharing plan” means a plan accepted as such by the Minister of National Revenue for registration for the purposes of the Income Tax Act (Statutes of Canada) and the registration of which is in force.

“871. In this title, the words “other beneficiary”, in the expression “employee or other beneficiary”, mean a person other than the employee, to whom an amount is or becomes payable by a trust governed by a deferred profit sharing plan following payments made to the trust under the plan for the benefit of employees, including the employee concerned.”

(2) This section has effect from 1 January 1991.

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

(2) This section has effect from 1 January 1991.

101. (1) Sections 876 to 878 of the said Act are repealed.

(2) This section has effect from 1 January 1991. Furthermore,

(a) where section 876 of the Taxation Act, repealed by this section, applies after 31 December 1988 and before 1 January 1991, it shall read as follows:

“876. The registration of a deferred profit sharing plan may be revoked by the Minister where, at any time after the plan has been accepted by the Minister for registration for the purposes of this Part or is deemed to have become registered for the purposes of this Part,

(a) the plan is revised or amended or another plan is substituted therefor, and the resultant plan ceases to satisfy the requirements of this title for its acceptance by the Minister for registration for the purposes of this Part or for its being deemed to have become registered for the purposes of this Part,

(b) a provision of the plan has not been complied with,

(c) as of 1 January 1968, the plan does not satisfy the requirements of paragraphs *a* to *i* of section 872 and does not provide that the amounts held by the trust for the benefit of the beneficiaries under the plan, on 31 December 1967, must be allocated or reallocated before 1969,

(d) the plan does not satisfy the other requirements prescribed by the regulations, or

(e) the registration of the plan becomes revocable pursuant to the second paragraph.

The registration of a deferred profit sharing plan becomes revocable at the time that an amount is transferred from the plan to a registered pension plan or another deferred profit sharing plan, unless one of the following conditions applies:

(a) the transfer is made in accordance with section 890.0.1;

(b) the amount is deductible under paragraph *d*, *d.2* or *e* of section 339 by the individual on whose behalf the transfer is made.”;

(b) where section 877 of the Taxation Act, repealed by this section, applies after 31 December 1988 and before 1 January 1991, it shall read as follows:

“877. The revocation provided in section 876 takes effect

(a) in the case referred to in subparagraph *a* of the first paragraph of the said section, as of the date on which the plan ceases to satisfy the requirements contemplated therein or as of any subsequent date,

(b) in the case referred to in subparagraph *b* of the first paragraph of the said section, as of the date on which any provision of the plan was not complied with or as of any subsequent date,

(c) in the case referred to in subparagraph *c* of the first paragraph of the said section, as of any date after 1 January 1968,

(d) in the case referred to in subparagraph *d* of the first paragraph of the said section, as of the date prescribed in the regulations, and

(e) in the case described in the second paragraph of the said section, to which subparagraph *e* of the first paragraph of the said section refers, as of the date on which the registration of the plan becomes revocable or as of any subsequent date.

Where the Minister revokes the registration of a deferred profit sharing plan, he shall thereafter give notice of his action by registered or certified mail to any trustee under the plan and to any employer whose employees are beneficiaries under the plan.”

102. (1) Section 879 of the said Act is amended

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

“**879.** Where, for the purposes of the Income Tax Act (Statutes of Canada), the registration of a plan is revoked under subsection 14 or 14.1 of section 147 of the said Act, the following rules apply:”;

(2) by striking out paragraph *a*;

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

“(b) section 880 does not apply to a taxation year of a trust which is, at any time in the year, governed by such a plan;”;

(4) by striking out paragraph *c*;

(5) by replacing subparagraphs i and ii of paragraph *d* by the following subparagraphs:

“i. all amounts received by him in the year under such a plan that would otherwise have been included in computing his income under section 885, and

“ii. the amount or value of the funds or property appropriated to or for the benefit of the taxpayer in the year, where such amount or value would otherwise have been included in computing his income under section 889 at the time of the appropriation of the funds or property;”;

(6) by adding the following after paragraph *d*:

“(e) a plan the registration of which is revoked is deemed, for the purposes of this Part, not to be a profit sharing plan or a retirement compensation arrangement.

For the purposes of this Part, a plan the registration of which is revoked before 1 January 1991 under sections 876 and 876.1, as they read before that date, that was not accepted again for registration under this Part before that date, is deemed, as of that date, to be a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Statutes of Canada).”

(2) Paragraphs 1 to 3 of subsection 1 and paragraph 6 of the said subsection, where it enacts the second paragraph of section 879 of the Taxation Act, have effect from 1 January 1991.

(3) Paragraph 4 of subsection 1 applies from the taxation year 1991 in respect of amounts paid after 31 December 1990 to plans the registration of which was revoked.

(4) Paragraph 5 of subsection 1 and paragraph 6 of the said subsection, where it enacts paragraph *e* of section 879 of the Taxation Act, have effect from 9 October 1986. However,

(*a*) where subparagraph *i* of paragraph *d* of section 879 of the Taxation Act, enacted by the said paragraph 5, applies before 1 January 1991, it shall read as follows:

“i. the amounts which he receives in the year from a revoked plan and which otherwise would have been included in computing his income under section 885, and”;

(*b*) where paragraph *e* of section 879 of the Taxation Act, enacted by the said paragraph 6, applies before 1 January 1991, it shall read as follows:

“(*e*) the revoked plan is deemed, for the purposes of this Part, not to be a retirement compensation arrangement.”.

103. (1) Section 880 of the French text of the said Act is replaced by the following section:

“**880.** Aucun impôt n'est exigible d'une fiducie en vertu de la présente partie pour la période pendant laquelle elle est régie par un régime de participation différée aux bénéfices.”

(2) This section has effect from 1 January 1991.

104. (1) Section 881 of the said Act is replaced by the following section:

“**881.** An employer may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 8 of section 147 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act.”

(2) This section applies from the taxation year 1991 in respect of amounts paid to deferred profit sharing plans after 31 December 1990. Furthermore, where section 881 of the Taxation Act, replaced by this section, applies after 31 December 1985, it shall read as if the

reference therein to a “registered retirement plan” were a reference to a “registered pension plan”.

105. (1) Section 882 of the said Act is repealed.

(2) This section applies from the taxation year 1991 in respect of amounts paid to deferred profit sharing plans after 31 December 1990.

106. (1) Section 883 of the said Act is amended

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

“883. For the purposes of sections 884, 885 and 886, where an employee or other beneficiary receives, in a taxation year, an amount from a trustee under a deferred profit sharing plan and the employee was a beneficiary under the plan while the plan was a profit sharing plan, the amount determined for the year, under this section, in relation to the plan and in respect of the beneficiary is such portion of the aggregate of the amounts so received in the year as does not exceed the remainder after subtracting”;

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

“i. received by the employee or other beneficiary in a previous taxation year from a trustee under the plan while it was a profit sharing plan or a deferred profit sharing plan; and”.

(2) This section has effect from 1 January 1991.

107. (1) Section 884 of the said Act is replaced by the following section:

“884. For the purposes of sections 885 and 886, where an employee or other beneficiary receives, in a taxation year, an amount from a trustee under a deferred profit sharing plan and the employee has made a payment in the year or a previous taxation year to a trustee under the plan while it was a deferred profit sharing plan, the amount determined for the year, under this section, in relation to the plan and in respect of the beneficiary, is such portion of the aggregate of the amounts so received in the year, minus any amount determined for the year under section 883 in relation to the plan and in respect of the beneficiary, as does not exceed the amount by which

(a) the aggregate of each amount so paid by the employee in the year or a previous year, to the extent that such amount was not deductible by the employee in computing his income, exceeds

(b) the aggregate of each amount received by the employee or other beneficiary from a trustee under the plan while it was a deferred profit sharing plan, to the extent that such amount was included in computing the amount determined under this section for a previous year in relation to the plan and in respect of the employee or other beneficiary.”

(2) This section has effect from 1 January 1991.

108. (1) Sections 885 to 886 of the said Act are replaced by the following sections:

“885. A beneficiary under a deferred profit sharing plan shall include, in computing his income for a taxation year, the amount by which the aggregate of the amounts received by him in the year from a trustee under the plan exceeds the aggregate of the following amounts:

(a) the amounts determined for the year under sections 883, 884 and 886 in relation to the plan and in respect of the beneficiary, and

(b) the amounts paid by a trustee under the plan to a person described in subparagraph vi of paragraph *k* of subsection 2 of section 147 of the Income Tax Act (Statutes of Canada).

“885.1 A beneficiary described in paragraph *k.2* of subsection 2 of section 147 of the Income Tax Act (Statutes of Canada) shall include, in computing his income for a taxation year, the aggregate of amounts allocated or reallocated to him in the year in respect of an amount paid, after 1 December 1982, by an employer to a trust governed by a deferred profit sharing plan or a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the said Act, or a forfeited amount under any such plan.

“886. For the purposes of sections 885 and 888, where a beneficiary under a deferred profit sharing plan receives, in a taxation year and when he is resident in Canada, from a trustee under the plan, upon his withdrawal from the plan or retirement or upon the death of an employee or former employee, a single payment that includes shares of the capital stock of a corporation that is an employer who contributes to the plan or shares of the capital stock of a corporation with which the employer does not deal at arm’s length and the beneficiary makes an election in respect of the payment in prescribed form and prescribed manner, the amount determined for the year under this section, in relation to the plan and in respect of the beneficiary, is equal to the amount by which the fair market value of

those shares, immediately before the single payment was made, exceeds the cost amount to the plan of those shares at that time.”

(2) This section has effect from 1 January 1991.

109. (1) Section 888 of the said Act is amended

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

“**888.** Where a trustee under a deferred profit sharing plan has, at any time in a taxation year, made under the plan a single payment that included shares referred to in section 886 to a beneficiary who was resident in Canada at the time and the beneficiary has made an election under section 886 in respect of that payment, the following rules apply:”;

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

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

“(d) for the application of paragraph *d* of section 339 to the taxation years 1989 and 1990, the cost to the beneficiary of those shares is an eligible amount in respect of the beneficiary for the year.”

(2) Paragraph 1 of subsection 1 has effect from 1 January 1991.

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

110. (1) Sections 889 and 890 of the said Act are replaced by the following sections:

“**889.** (1) An employer who contributes to a deferred profit sharing plan or a corporation with which he does not deal at arm’s length shall include, in computing his or its income for a taxation year, the amount or value of the funds or property of a trust governed by such a plan that are appropriated to or for his or its benefit in any manner whatever in that year.

(2) The rule provided in subsection 1 does not apply if the appropriation results from a payment for shares of the employer or corporation by the trust, or if the funds or property, or an amount equal to their value, are repaid to the trust within one year from the end of the taxation year and if it is established that the repayment has not been made as part of a series of appropriations and repayments.

“890. Where a trust governed by a deferred profit sharing plan or by a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Statutes of Canada) disposes of property to a taxpayer for no consideration or for a consideration less than its fair market value at the time of the disposition, or acquires property from a taxpayer for a consideration greater than its fair market value at the time of the acquisition, the taxpayer who acquires or disposes of the property is deemed, for the purposes of sections 879 and 885, to have received at that time from the trust under the plan, as a beneficiary under the trust, an amount equal to the difference between that fair market value and the consideration, if any.”

(2) This section has effect from 1 January 1991.

111. (1) The said Act is amended by inserting, after section 890, the following:

“CHAPTER VII

“TRANSFERS

“890.0.1 An amount is transferred from a deferred profit sharing plan in accordance with this section if the following conditions are met:

- (a) the amount is not part of a series of periodic payments;
- (b) the amount is transferred on behalf of an individual described in the second paragraph in full or partial satisfaction of his entitlement to benefits under the plan;
- (c) the amount would, if it were paid directly to the individual, be included in computing his income for a taxation year under section 885;
- (d) the amount is transferred for the benefit of the individual directly to any of the following plans:
 - i. a registered pension plan,
 - ii. a registered retirement savings plan under which the individual is the annuitant, within the meaning of paragraph b of section 905.1, or

iii. a deferred profit sharing plan that can reasonably be expected to have at least five beneficiaries at all times throughout the calendar year in which the transfer is made.

The individual referred to in subparagraph *b* of the first paragraph is an individual

(*a*) who is an employee or former employee of an employer who participated in the plan on the employee's behalf, or

(*b*) who is entitled to the amount contemplated in subparagraph *b* of the said paragraph as a consequence of the death of an employee or former employee referred to in subparagraph *a* and who was the spouse, within the meaning of section 905.3, of the employee at the time of his death.

"890.0.2 Where an amount is transferred on behalf of an individual in accordance with section 890.0.1, the following rules apply:

(*a*) the amount shall not, by reason only of that transfer, be included in computing the income of any individual by virtue of this Title, and

(*b*) no amount is deductible under any provision of this Part in computing the income of any individual in respect of the amount transferred.

"890.0.3 Where the transfer of an amount from a deferred profit sharing plan in a calendar year on behalf of a beneficiary under the plan would, but for this section, be made in accordance with section 890.0.1 and, in the opinion of the Minister of National Revenue, the requirements of subsection 5.1 of section 147 of the Income Tax Act (Statutes of Canada) in respect of the plan are not satisfied for the year by reason that the beneficiary's pension credits or pension adjustments, within the meanings assigned by this Act, do not comply with any of paragraphs *a* to *c* of subsection 5.1 of the said section 147, such portion of the amount transferred as may reasonably be considered to derive from amounts allocated or reallocated to the beneficiary in the year or from earnings reasonably attributable to those amounts is deemed to be an amount that was not transferred in accordance with section 890.0.1, except to the extent expressly provided in writing by the Minister of National Revenue for the purposes of subsection 22 of the said section 147."

(2) This section, where it enacts sections 890.0.1 and 890.0.2 of the Taxation Act, applies in respect of amounts transferred after

31 December 1988. However, where section 890.0.1 of the said Act, enacted by this section, applies in respect of amounts transferred before 1 January 1991, the French text thereof shall read as if the reference therein to “régime de participation différée aux bénéfices”, wherever it appears, were a reference to “régime d’intéressement différé”.

(3) This section, where it enacts section 890.0.3 of the Taxation Act, applies in respect of amounts transferred after 31 December 1990.

112. (1) Section 890.1 of the said Act is amended

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

“(a) a registered pension plan;”;

(2) by replacing subparagraph *c* of the second paragraph of the French text by the following subparagraph:

“(c) un régime de participation différée aux bénéfices;”;

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

“(d) a profit sharing plan;”.

(2) Paragraph 1 of subsection 1 has effect from 9 October 1986.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 1 January 1991.

113. (1) Section 905.1 of the said Act is amended

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

“ii. an amount received by the person with whom the annuitant entered into a contract or arrangement contemplated in paragraph *j* of subsection 1 of section 146 of the Income Tax Act (Statutes of Canada) as a premium under the plan, and”;

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

“(b) “annuitant” means, until such time after the date provided for the first payment of benefits as his spouse becomes entitled, as a consequence of his death, to receive benefits to be paid out of or under the plan, the individual referred to in paragraph *j* of subsection

1 of section 146 of the Income Tax Act (Statutes of Canada) for whom, under a retirement savings plan, a retirement income is to be provided, and, after the individual's death, his spouse;";

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

"(c) "issuer" means the person referred to in paragraph *j* of subsection 1 of section 146 of the Income Tax Act (Statutes of Canada) with whom an annuitant has a contract or arrangement that is a retirement savings plan;";

(4) by adding, at the end, the following paragraphs:

"(e) "premium" has the meaning assigned by paragraph *f* of subsection 1 of section 146 of the Income Tax Act (Statutes of Canada);

"(f) "spousal plan", in relation to an individual, means

i. a registered retirement savings plan

(1) to which the individual has paid a premium at a time when his spouse was the annuitant under the plan, or

(2) that has received a payment out of or a transfer from a registered retirement savings plan or a registered retirement income fund that was a spousal plan in relation to the individual, or

ii. a registered retirement income fund that has received a payment out of or a transfer from a spousal plan in relation to the individual."

(2) Paragraphs 1 to 3 of subsection 1 and paragraph 4 of the said subsection, where it enacts paragraph *e* of section 905.1 of the Taxation Act, have effect from 1 January 1991, and where the said paragraph 4 enacts paragraph *f* of the said section 905.1, it has effect from 1 January 1989.

114. (1) The said Act is amended by inserting, after section 905.1, the following sections:

"905.2 Paragraph *d* of section 905.1, as limited in its application by subsection 2 of section 71 of the Act to again amend the Taxation Act and other fiscal legislation (1988, chapter 18), applies from 1 January 1989 only for the purposes of sections 923.1 to 923.2.1.

"905.3 For the purposes of paragraph *b* of section 905.1, subsection 2 of section 908 and sections 913, 915.2 and 915.4, "spouse" of an individual means a person of the opposite sex

- (a) who is married to the individual, or
- (b) who is cohabiting with the individual in a conjugal relationship and
 - i. has so cohabited for a period of at least one year, or
 - ii. has so cohabited for a period less than one year and is the father or mother of a child of whom the individual is the father or mother."

(2) This section, where it enacts section 905.3 of the Taxation Act, has effect from 1 January 1988. However, where it applies before 1 January 1991, that part of the said section 905.3 preceding paragraph *a* shall read as follows:

"905.3 For the purposes of paragraph *b* of section 905.1, subsections 2 and 3 of section 908, paragraphs *b* to *f.1* of section 911 and sections 913, 915.2 and 915.4, "spouse" of an individual means a person of the opposite sex".

115. (1) Sections 906 and 907 of the said Act are repealed.

(2) This section has effect from 1 January 1991.

116. (1) Section 908 of the said Act is amended

(1) by striking out subsection 1;

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

"(b) if the annuitant had no spouse at the time of his death, any amount paid out of or under a registered retirement savings plan of the annuitant to his child or grandchild who was at that time financially dependent on him for support.";

(3) by replacing subsection 3 by the following subsection:

"(3) For the purposes of this title, "retirement income" has the meaning assigned by paragraph *i.1* of subsection 1 of section 146 of the Income Tax Act (Statutes of Canada)."

(2) Paragraphs 1 and 3 of subsection 1 have effect from 1 January 1991.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1989.

117. (1) Sections 909 to 912 of the said Act are repealed.

(2) This section has effect from 1 January 1991.

(3) Furthermore, where subparagraph *i* of paragraph *c* of section 910 of the Taxation Act, repealed by subsection 1, applies

(a) in respect of amounts paid to registered retirement savings plans between 31 December 1987 and 1 January 1989, it shall read as follows:

“i. the amount by which, for a year, at any particular time, the aggregate of all amounts paid in the year and before the particular time by the individual to all the registered retirement savings plans under which he or his spouse is the annuitant, other than the amounts to which paragraphs *d* to *d.1* or *f* of section 339 apply or would apply if the individual were resident in Canada throughout the year or the amounts transferred to the plan in accordance with section 913, and all gifts made in the year and before the particular time to such plans under which the individual is the annuitant, other than gifts made by his spouse, exceeds the aggregate of all amounts that may be deducted by the individual in computing his income for the preceding year in respect of those payments and the greater of \$5 500 and the amount that may be deducted by the individual in computing his income for the year in respect of those payments; or”;

(b) in respect of amounts paid to registered retirement savings plans between 31 December 1988 and 1 January 1991, it shall read as follows:

“i. the amount by which, for a year, at any particular time, the aggregate of all amounts paid in the year and before the particular time by the individual to all the registered retirement savings plans under which he or his spouse is the annuitant, other than the amounts to which paragraphs *d* to *d.2* or *f* of section 339 apply or would apply if the individual were resident in Canada throughout the year or the amounts transferred to the plan in accordance with any of sections 890.0.1, 913, 965.0.5, 965.0.8 and 965.0.11, and all gifts made in the year and before the particular time to such plans under which the individual is the annuitant, other than gifts made by his spouse, exceeds the aggregate of all amounts that may be deducted by the individual in computing his income for the preceding year in respect of those payments and the greater of \$5 500 and the amount that may be deducted by the individual in computing his income for the year in respect of those payments; or”.

(4) Lastly, where paragraph *d* of section 910 of the Taxation Act, repealed by subsection 1, applies in respect of advantages extended

between 31 December 1988 and 1 January 1991, it shall read as follows:

“(d) no advantage may be extended by reason of the existence of the plan to the annuitant or to a person with whom he is not dealing at arm’s length, except a benefit, an amount described in subparagraph i or iii of paragraph a of section 905.1, the payment or allocation of any amount to the plan by the issuer or an advantage from life insurance in effect on 31 December 1981 or derived from the provision of administrative or investment services in respect of the plan.”

118. (1) Sections 913 and 914 of the said Act are replaced by the following sections:

“913. Where a registered retirement savings plan is revised or amended at any time to provide for the payment or transfer, before the date provided for the first payment of benefits, of any property under the plan by the issuer on behalf of the annuitant under the plan, in this section referred to as the “transferor”, to a registered pension plan for the benefit of the transferor or to a registered retirement savings plan or a registered retirement income fund under which the transferor is the annuitant, or to a registered retirement savings plan or a registered retirement income fund under which the spouse or former spouse of the transferor is the annuitant, where the transferor and his spouse or former spouse are living separate and apart and the payment or transfer is made pursuant to a decree, order or judgment of a competent tribunal, or a written separation agreement, relating to a division of property between the transferor and his spouse or former spouse in settlement of rights arising out of their marriage or conjugal relationship, on or after the breakdown of the marriage or relationship, the amount paid or transferred on behalf of the transferor shall not, by reason only of such payment or transfer, be included, under section 929, in computing the income of the transferor or his spouse or former spouse and no deduction may be made in computing the income of any individual under Chapter III of Title II of Book III in respect of the amount so paid or transferred.

“914. Where a registered retirement savings plan is revised or amended or another plan is substituted therefor and the resultant plan is deemed, under subsection 12 of section 146 of the Income Tax Act (Statutes of Canada), not to be a registered retirement savings plan for the purposes of the said Act, the following rules apply:

(a) the new plan is deemed, for the purposes of this Part, not to be a registered retirement savings plan, and

(b) the individual who was the annuitant under the plan before such operation shall, in computing his income for the taxation year in which the operation took place, include as income received at the time of that operation, an amount equal to the fair market value of all the property of the plan immediately before that time.”

(2) Subsection 1, where it replaces section 913 of the Taxation Act, applies in respect of

(a) revisions or amendments made to registered retirement savings plans after 31 December 1989, and

(b) a payment or transfer of property made after 31 December 1989 on behalf of the annuitant, in this paragraph referred to as the “transferor”, under a registered retirement savings plan, other than a payment or transfer pursuant to a revision or amendment made to the plan before 1 January 1990 where the payment or transfer is to a registered retirement savings plan or a registered retirement income fund under which the transferor’s spouse or former spouse, within the meaning of sections 2.2 and 905.3 of the Taxation Act, as enacted by sections 3 and 114 of this Act, for the purposes of section 913 of the Taxation Act, is the annuitant.

(3) Notwithstanding subsection 2, where section 913 of the Taxation Act, enacted by subsection 1, applies in respect of a payment or transfer of property made after 31 December 1989 and before 1 January 1991 on behalf of the annuitant, in this subsection referred to as the “transferor”, under a registered retirement savings plan, other than a payment or transfer made pursuant to a revision or amendment made to the plan before 1 January 1990 where the payment or transfer is to a registered retirement savings plan or a registered retirement income fund under which the transferor’s spouse or former spouse, within the meaning of sections 2.2 and 905.3 of the Taxation Act, as enacted by sections 3 and 114 of this Act, for the purposes of section 913 of the Taxation Act, is the annuitant, the said section 913 shall read as if the reference therein to “of Book III” were a reference to “of Book III and sections 339, 922, 923 and 924”.

(4) Where section 913 of the Taxation Act, replaced by subsection 1, applies in respect of revisions or amendments made to registered retirement savings plans after 31 December 1987 and before 1 January 1990, subparagraph *a* of the first paragraph of the said section 913 shall read as follows:

“(a) to a registered retirement savings plan or a registered retirement income fund under which

i. the individual is the annuitant, or

ii. the spouse or former spouse of the individual, from whom the transferor is living separate and apart, is the annuitant where the payment or transfer is made pursuant to a decree, order or judgment of a competent tribunal, or a written separation agreement, relating to a division of property between the individual and his spouse or former spouse in settlement of rights arising out of their marriage or conjugal relationship, on or after the breakdown of the marriage or relationship;”.

(5) Furthermore, where section 913 of the Taxation Act, replaced by subsection 1, applies after 31 December 1985 in respect of revisions or amendments made to registered retirement savings plans before 1 January 1990, subparagraph *b* of the first paragraph of the said section 913 shall read as follows:

“(b) as a contribution to or under a registered pension plan.”

(6) This section, where it replaces section 914 of the Taxation Act, applies in respect of revisions, amendments or substitutions made after 31 December 1988. However, where it applies in respect of revisions, amendments or substitutions made after 31 December 1988 and before 1 January 1991, that part of section 914 of the Taxation Act, enacted by this section, preceding paragraph *a* shall read as follows:

“**914.** Where a registered retirement savings plan is revised or amended or another plan is substituted therefor and the resultant plan does not meet the requirements of this Title relating to registration, subject to section 914.1, the following rules apply:”.

119. (1) Section 914.1 of the said Act is repealed.

(2) This section applies in respect of advantages extended after 31 December 1990. Furthermore, where it applies in respect of advantages extended after 31 December 1988 and before 1 January 1991, section 914.1 of the Taxation Act, repealed by this section, shall read as follows:

“**914.1** Where the issuer of a registered retirement savings plan or a person not dealing at arm’s length with the issuer has extended an advantage to the annuitant of the plan or to a person not dealing at arm’s length with the annuitant and that advantage would have been prohibited if the plan had met the requirement contained in paragraph *d* of section 910 relating to registration, section 914 does not apply by reason only of the extension of that advantage.”

120. (1) Section 916 of the said Act is repealed.

(2) This section has effect from 1 January 1991.

121. (1) Section 917 of the said Act is amended by striking out the second paragraph.

(2) This section has effect from 1 January 1991.

122. (1) The said Act is amended by inserting, after section 917, the following section:

“917.1 Where, at any particular time, an amount is credited or added to a deposit with a depositary referred to in clause C of subparagraph ii of paragraph *j* of subsection 1 of section 146 of the Income Tax Act (Statutes of Canada) as interest or other income in respect of the deposit and where the deposit is, at that time, a registered retirement savings plan the annuitant under which is alive during the year in which the amount is credited or added, the amount is deemed not to be received by the annuitant by reason only of such crediting or adding.”

(2) This section has effect from 1 January 1991.

123. (1) Section 918 of the said Act is repealed.

(2) This section applies in respect of premiums paid to a registered retirement savings plan after 31 December 1990. Furthermore, where section 918 of the Taxation Act, repealed by this section, applies in respect of premiums paid to registered retirement savings plans before 1 January 1991, it shall read as follows:

“918. For the purposes of this title, where, before a particular time, an individual has received a payment described in paragraph *c* of section 910, as it read for the taxation year 1990, the amounts paid by the individual to all the registered retirement savings plans under which he or his spouse is the annuitant in the year in respect of which that payment was made to the individual are deemed to be the amounts so paid by him to such plans in that year less the aggregate of all such payments received by him in respect of that year before that particular time.”

124. (1) Section 921.2 of the said Act is replaced by the following section:

“921.2 Notwithstanding section 919, where, in a taxation year, a trust governed by a registered retirement savings plan holds a property that is a non-qualified investment for the purposes of section 146 of the Income Tax Act (Statutes of Canada), tax is payable under

this Part by the trust on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than non-qualified investments and no capital gains or capital losses other than from dispositions of non-qualified investments.”

(2) This section has effect from 1 January 1991.

125. (1) Sections 922 and 923 of the said Act are replaced by the following sections:

“922. An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 5 of section 146 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act.

“923. An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 5.1 of section 146 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act.”

(2) This section applies from the taxation year 1987. However, where sections 922 and 923 of the Taxation Act, enacted by subsection 1, apply

(a) to the taxation years 1987 and 1988, they shall read as follows:

“922. An individual who is the annuitant under a registered retirement savings plan in a taxation year or becomes the annuitant thereunder within 60 days after the end of the year may deduct, in computing his income for the year, the aggregate of all amounts each of which is a premium paid by him in the year or within 60 days after the end of the year to a registered retirement savings plan under which he is the annuitant or becomes the annuitant within 60 days after the end of the year, to the extent that the amount of the premium was neither deducted in computing his income for the preceding taxation year nor designated for any taxation year under paragraphs *d* to *d.1* or *f* of section 339, not exceeding the amount by which the particular amount described in the second paragraph exceeds that described in the third paragraph.

The first particular amount referred to in the first paragraph is

(a) an amount that, when added to the amount deductible in computing the income of the individual for the year under paragraph *c* of section 70, does not exceed the lesser of \$3 500 and 20 % of the individual's earned income for the year, where the individual was employed in the year and

i. as a consequence thereof was or may become entitled to benefits under a pension plan that provides for payment of a pension to the individual payable in whole or in part out of contributions made or to be made to the plan or out of or in respect of amounts credited or to be credited in lieu of such contributions by a person other than the individual in respect of the individual's employment in the year,

ii. contributed an amount in the year to a deferred profit sharing plan of which he was a beneficiary, or

iii. as a consequence thereof was a person in respect of whom a contribution was made by an employer to a deferred profit sharing plan in the year, and

(b) in any other case, the lesser of \$7 500 and 20 % of the individual's earned income for the year.

The second particular amount referred to in the first paragraph is the amount deductible in computing the income of the individual for the year under section 926.

For the purposes of subparagraph *a* of the second paragraph, a pension plan does not include the Québec Pension Plan contemplated in the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9), a similar plan within the meaning of the said Act, or any similar plan of a foreign country.

"923. An individual whose spouse is the annuitant under a registered retirement savings plan in a taxation year or becomes the annuitant thereunder within 60 days after the end of the year may deduct, in computing his income for the year, the aggregate of all amounts each of which is a premium paid by him in the year or within 60 days after the end of the year to a registered retirement savings plan under which his spouse is the annuitant or becomes the annuitant within 60 days after the end of the year, to the extent that the amount of the premium was not deducted in computing the individual's income for the preceding taxation year, not exceeding the amount by which the amount determined in respect of the individual under subparagraph *a* or *b* of the second paragraph of section 922 exceeds the aggregate of the following amounts:

(a) the aggregate of amounts paid by him in the year or within 60 days after the end of the year to a registered retirement savings plan under which he is the annuitant, as a premium deducted by him in computing his income for the year under section 922, and

(b) the amount deductible by him in computing his income for the year under section 926.";

(b) to the taxation years 1989 and 1990, they shall read as follows :

“922. An individual who is the annuitant under a registered retirement savings plan in a taxation year or becomes the annuitant thereunder within 60 days after the end of the year may deduct, in computing his income for the year, the aggregate of all amounts each of which is a premium paid by him in the year or within 60 days after the end of the year to a registered retirement savings plan under which he is the annuitant or becomes the annuitant within 60 days after the end of the year, to the extent that the amount of the premium was neither deducted in computing his income for the preceding taxation year nor designated for any taxation year under paragraphs *d* to *d.1* or *f* of section 339, not exceeding the amount by which the particular amount described in the second paragraph exceeds that described in the third paragraph.

The first particular amount referred to in the first paragraph is

(a) an amount that, when added to the amount deductible in computing the income of the individual for the year under paragraph *c* of section 70, does not exceed the lesser of \$3 500 and 20 % of the individual's earned income for the year, where the individual was employed in the year and

i. as a consequence thereof was or may become entitled to benefits under a pension plan in respect of his office or employment for the year,

ii. contributed an amount in the year to a deferred profit sharing plan of which he was a beneficiary, or

iii. as a consequence thereof was a person in respect of whom a contribution was made by an employer to a deferred profit sharing plan in the year, and

(b) in any other case, the lesser of \$7 500 and 20 % of the individual's earned income for the year.

The second particular amount referred to in the first paragraph is the amount deductible in computing the income of the individual for the year under section 926.

For the purposes of subparagraph *a* of the second paragraph, a pension plan does not include the Québec Pension Plan contemplated in the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9), a similar plan within the meaning of the said Act, or any similar plan of a foreign country.

“923. An individual whose spouse is the annuitant under a registered retirement savings plan in a taxation year, or becomes the annuitant thereunder within 60 days after the end of the year may deduct in computing his income for the year the aggregate of all amounts each of which is a premium paid by him in the year or within 60 days after the end of the year to a registered retirement savings plan under which his spouse is the annuitant or becomes the annuitant within 60 days after the end of the year, to the extent that the amount of the premium was neither deducted in computing the individual’s income for the preceding taxation year nor designated for any taxation year under paragraph *d.2* of section 339, not exceeding the amount by which the amount determined in respect of the individual under subparagraph *a* or *b* of the second paragraph of section 922 exceeds the aggregate of the following amounts:

(*a*) the aggregate of amounts paid by him in the year or within 60 days after the end of the year to a registered retirement savings plan under which he is the annuitant, as a premium deducted by him in computing his income for the year under section 922, and

(*b*) the amount deductible by him in computing his income for the year under section 926.”

126. (1) The said Act is amended by inserting, before section 924, the following sections:

“923.4 Notwithstanding any other provision of this title, where a registered pension plan is amended or administered in such a manner as to terminate, suspend or delay the membership of an individual in the plan for the individual’s taxation year 1990, contributions made under the plan by or for the benefit of the individual in respect of that year, or the accrual of retirement benefits under the plan for the individual in respect of that year, or where a deferred profit sharing plan is amended or administered in such a manner as to terminate, suspend or delay contributions under the plan for that year in respect of an individual, and, in all cases, one of the main reasons for the termination, suspension or delay may reasonably be considered to be to reduce the pension adjustment, within the meaning of subsection 1 of section 248 of the Income Tax Act (Statutes of Canada), of the individual for that year in respect of an employer, the only amount that may be deducted in computing the income of the individual for that year, in respect of premiums paid to registered retirement savings plans, is the amount that would have been deductible had that termination, suspension or delay not occurred.

“923.5 An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 6.1 of section

146 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act.”

(2) This section, where it enacts section 923.5 of the Taxation Act, applies from the taxation year 1991.

127. (1) Section 924 of the said Act is replaced by the following section:

“924. An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 8.2 of section 146 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act.”

(2) This section applies in respect of premiums paid to registered retirement savings plans after 31 December 1990.

128. (1) The said Act is amended by inserting, after section 924, the following section:

“924.0.1 Where, at any time in a taxation year, an individual has received a payment from a registered retirement savings plan or a registered retirement income fund in respect of all or any portion of a premium paid by the individual to a registered retirement savings plan and the payment has been deducted in computing the income of the individual for the year under section 924, the premium or portion thereof, as the case may be, is deemed, for the purposes of sections 931.1 and 961.17.0.1, after that time, not to have been a premium paid by the individual to a registered retirement savings plan.”

(2) This section applies in respect of premiums paid to registered retirement savings plans after 31 December 1990.

129. (1) Section 924.1 of the said Act is amended by replacing that part preceding paragraph *b* by the following:

“924.1 Where, in respect of an amount required at any time in a taxation year to be included in computing the income of the spouse of an individual, all or part of a premium is, by virtue of section 931.1, included in computing the individual’s income for the year, the following rules apply:

(*a*) the premium or part thereof, as the case may be, is deemed, for the purposes of sections 931.1 and 961.17.0.1, after that time, not to have been a premium paid to a registered retirement savings plan under which the individual’s spouse is the annuitant;”

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

130. (1) Section 925 of the said Act is repealed.

(2) This section applies from the taxation year 1991. Furthermore, where section 925 of the Taxation Act, repealed by this section, applies

(a) to the taxation year 1988, it shall read as follows:

“925. For the purposes of this title, the earned income of an individual for a taxation year means the amount by which the aggregate of all amounts each of which is an amount described in the second paragraph exceeds the aggregate of all amounts each of which is an amount described in the third paragraph.

The first amount referred to in the first paragraph is

(a) the individual's income for the year from

i. an office or employment, determined without reference to section 70,

ii. a business carried on by him either alone or as a partner actively engaged therein, or

iii. property, where such income is derived from the rental of immovable property or from royalties in respect of a work or invention of which the individual is the author or inventor, or

(b) an amount included in computing the individual's income for the year

i. under this title, paragraph *f* of section 311, paragraph *a*, *b*, *b.1* or *h* of section 312 or section 879, 885 or 955, or

ii. as pension benefits, retiring allowances or death benefits.

The last amount referred to in the first paragraph is

(a) the individual's loss for the year from

i. a business carried on by him either alone or as a partner actively engaged therein, or

ii. property, where such loss is sustained from the rental of immovable property, or

(b) an amount deductible in computing the individual's income for the year under paragraph *a*, *a.1* or *b* of subsection 1 of section 336, paragraph *d*, *d.0.1*, *d.1*, *e* or *f* of section 339 or section 340, 926 or 928.”;

(b) to the taxation year 1989, it shall read as follows:

“925. For the purposes of this title, the earned income of an individual for a taxation year means the amount by which the aggregate of all amounts each of which is an amount described in the second paragraph exceeds the aggregate of all amounts each of which is an amount described in the third paragraph.

The first amount referred to in the first paragraph is

(a) the individual's income for the year from

i. an office or employment, determined without reference to sections 60, 70 and 76,

ii. a business carried on by him either alone or as a partner actively engaged therein, or

iii. property, where such income is derived from the rental of immovable property or from royalties in respect of a work or invention of which the individual is the author or inventor, or

(b) an amount included in computing the individual's income for the year

i. under this title, paragraph *f* of section 311, paragraph *a*, *b*, *b.1* or *h* of section 312 or section 879, 885, 955 or 961.17, or

ii. as pension benefits, retiring allowances or death benefits.

The last amount referred to in the first paragraph is

(a) the individual's loss for the year from

i. a business carried on by him either alone or as a partner actively engaged therein, or

ii. property, where such loss is sustained from the rental of immovable property, or

(b) an amount deductible in computing the individual's income for the year under paragraph *a*, *a.1* or *b* of subsection 1 of section 336, paragraph *d*, *d.1*, *d.2*, *e* or *f* of section 339 or section 340, 926 or 928.”;

(c) to the taxation year 1990, it shall read as follows:

“925. For the purposes of this title, the earned income of an individual for a taxation year means the amount by which the

aggregate of all amounts each of which is an amount described in the second paragraph exceeds the aggregate of all amounts each of which is an amount described in the third paragraph.

The first amount referred to in the first paragraph is

(a) the individual's income for a period in the year throughout which he was resident in Canada from

i. an office or employment, determined without reference to sections 60, 70 and 76,

ii. a business carried on by him either alone or as a partner actively engaged therein, or

iii. property, where such income is derived from the rental of immovable property or from royalties in respect of a work or invention of which the individual is the author or inventor, or

(b) an amount included under paragraph *f* of section 311, paragraph *a*, *b*, *b.1* or *h* of section 312 or section 955 in computing the individual's income for a period in the year throughout which he was resident in Canada,

(c) the individual's income for a period in the year throughout which he was not resident in Canada from

i. the duties of an office or employment performed by him in Canada, determined without reference to sections 60, 70 and 76, except to the extent that the income is exempt from income tax in Québec by reason of a provision contained in a tax convention or agreement between Québec and a particular country relating to income tax that has force of law in Québec or, where there is no such convention or agreement, if the income is exempt from income tax in Canada by reason of a provision contained in a tax convention or agreement between Canada and a particular country that has force of law in Canada, or

ii. a business carried on by him in Canada, either alone or as a partner actively engaged therein, except to the extent that the income is exempt from income tax in Québec by reason of a provision contained in a tax convention or agreement between Québec and a particular country relating to income tax that has force of law in Québec or, where there is no such convention or agreement, if the income is exempt from income tax in Canada by reason of a provision contained in a tax convention or agreement between Canada and a particular country that has force of law in Canada, or

(*d*) in the case of an individual described in section 1093, the aggregate that would be determined in respect of the individual for the year under paragraph *b* of section 1092 if that paragraph were read without reference to subparagraph *iv* and subparagraph *ii* of the said paragraph were read without any reference to paragraph *i* of section 311 and paragraph *g* of section 312, except any part of the aggregate included in the aggregate determined under this section by reason of paragraph *c* or exempt from income tax in Québec by reason of a provision contained in a tax convention or agreement between Québec and a particular country relating to income tax that has force of law in Québec or, where there is no such convention or agreement, if the income is exempt from income tax in Canada by reason of a provision contained in a tax convention or agreement between Canada and a particular country that has force of law in Canada.

The last amount referred to in the first paragraph is

(*a*) the individual's loss for a period in the year throughout which he was resident in Canada from

i. a business carried on by him either alone or as a partner actively engaged therein, or

ii. property, where such loss is sustained from the rental of immovable property,

(*b*) an amount deductible in computing the individual's income for the year under paragraph *a*, *a.1* or *b* of subsection 1 of section 336, or

(*c*) the individual's loss for a period in the year throughout which he was not resident in Canada from a business carried on by him in Canada either alone or as a partner actively engaged therein.

For the purposes of this section, the income or loss of an individual for any period in a taxation year is the individual's income or loss computed as though that period were the whole taxation year."

131. (1) Sections 926 and 927 of the said Act are replaced by the following sections:

"926. Where, in a taxation year, a trust governed by a registered retirement savings plan disposes of property that was, at the time it was acquired or deemed acquired for the purposes of section 146 of the Income Tax Act (Statutes of Canada), an investment that was a non-qualified investment for the purposes of the said section, the individual who is an annuitant under the plan may deduct,

in computing his income for the year, the lesser of the amount included in computing his income under section 933 in respect of the acquisition of that property and the proceeds of disposition of the property.

“927. A trust which surrenders, cancels, transfers or disposes in any other manner of its interest in a life insurance policy is deemed, for the purposes of section 926, to have disposed of each non-qualified investment that it is deemed to have acquired under section 933 by reason of payments under the policy.

For the purposes of the first paragraph, the proceeds of disposition are deemed to be equal to the amount by which the amount received by the trust by reason of such surrender, cancellation, transfer or other disposition of its interest in the life insurance policy exceeds the aggregate of the following amounts:

(a) each amount paid by the trust under the policy or to acquire an interest in the policy and the payment of which is deemed not to be the acquisition of an investment that is a non-qualified investment, for the purposes of section 146 of the Income Tax Act (Statutes of Canada), and

(b) the cash surrender value, on 21 December 1966, of the interest of the trust in the policy on that date.”

(2) This section has effect from 1 January 1991.

132. (1) Section 928 of the said Act is amended by replacing subsection 1 by the following subsection:

“928. (1) Where, in a taxation year, a loan for which a trust governed by a registered retirement savings plan has used or permitted to be used trust property as security ceases to be extant and the fair market value of the property so used was included, under section 933, in computing the income of the individual who is the annuitant under the plan, the individual may deduct, in computing his income for the year, the amount by which the amount so included in computing his income in consequence of the trust’s using or permitting to be used the property as security for the loan exceeds the net loss sustained by the trust in consequence of its using or permitting to be used the property as security for the loan.”

(2) This section has effect from 1 January 1991.

133. (1) Section 929 of the said Act is replaced by the following section:

“929. An individual shall include in computing his income for a taxation year an amount, other than an amount included in computing his income pursuant to section 914, received by him in the year as a benefit out of or under a registered retirement savings plan.”

(2) This section has effect from 1 January 1991.

134. (1) Section 931.1 of the said Act is replaced by the following section:

“931.1 Where, at any time in a taxation year, a particular amount in respect of a registered retirement savings plan that is a spousal plan in relation to an individual is required, by reason of section 914 or 929, to be included in computing the income of the individual’s spouse before the date provided for the first payment of benefits under the plan or as a payment in full or partial commutation of a retirement income under the plan and the individual is not an individual who is living separate and apart from his spouse by reason of the breakdown of their marriage, the individual shall include at that time, in computing his income for the year, the lesser of the following amounts:

(a) the aggregate of all amounts each of which is a premium paid by him in the year or in one of the two preceding taxation years to a registered retirement savings plan under which his spouse was the annuitant at the time the premium was paid, and

(b) the particular amount.”

(2) This section applies from the taxation year 1989. However, where section 931.1 of the Taxation Act, enacted by subsection 1, applies to the taxation years 1989 and 1990, it shall read as follows:

“931.1 Where, at any time in a taxation year, a particular amount in respect of a registered retirement savings plan to which a premium deductible under paragraph *d.2* of section 339 or section 923 has been paid is required under section 914 or 929 to be included in computing the income of the individual’s spouse before the date provided for the first payment of benefits under the plan or as a payment in full or partial commutation of a retirement income under the plan, all or any part of each premium paid by the individual in the year or in one of the two immediately preceding taxation years that is deductible under paragraph *d.2* of section 339 or section 923 in computing his income for a year shall be included at that time in computing his income for the year, except to the extent that the aggregate of those premiums or parts thereof exceeds the particular amount.

The first paragraph does not apply where, at the time contemplated therein, the individual is living separate and apart from his spouse by reason of the breakdown of their marriage.”

135. (1) Section 931.2 of the said Act is repealed.

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

136. (1) Section 931.5 of the said Act is amended

(1) by striking out the word “nor” at the end of paragraph *c*;

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

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

“(e) in respect of an amount that is deemed, under the first paragraph of section 915.2, to have been received by an annuitant under a registered retirement savings plan immediately before his death.”

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

137. (1) Section 933 of the said Act is replaced by the following section:

“**933.** Where, at any time in a taxation year, a trust governed by a registered retirement savings plan acquires, or is deemed to acquire, an investment that is a non-qualified investment for the purposes of section 146 of the Income Tax Act (Statutes of Canada), or uses or permits to be used any property of the trust as security for a loan, the individual who is the annuitant under the plan at that time shall include, in computing his income for the year, the fair market value of the investment at the time it was acquired by the trust or, as the case may be, the fair market value of the property at the time it commenced to be so used.”

(2) This section has effect from 1 January 1991.

138. (1) Sections 934 and 935 of the said Act are repealed.

(2) This section has effect from 1 January 1991.

139. (1) Section 958 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) an investment contemplated in subparagraph i, ii, iv, vii or ix of paragraph *e* of section 204 of the Income Tax Act (Statutes of Canada) or in subparagraph ii of paragraph *g* of subsection 1 of section 146 of the said Act;”.

(2) This section has effect from 1 January 1991.

140. (1) Section 961.1.5 of the said Act is amended

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

“961.1.5 In this title,”;

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

“(b) “carrier” of a retirement income fund means any of the persons described in paragraph *b* of subsection 1 of section 146.3 of the Income Tax Act (Statutes of Canada);”;

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

“(d) “annuitant” under a retirement income fund at any time means the individual to whom the carrier has undertaken to make the payments described in paragraph *f* of subsection 1 of section 146.3 of the Income Tax Act (Statutes of Canada) out of or under the fund.”

(2) This section has effect from 1 January 1991.

141. (1) The said Act is amended by inserting, after section 961.1.5, the following section:

“961.1.5.1 For the purposes of paragraph *c* of section 961.1.5, subparagraph *b* of the second paragraph of section 961.17 and the first paragraph of section 961.17.1, “spouse” has the meaning assigned by section 905.3.”

(2) This section has effect from 1 January 1988. However, where section 961.1.5.1 of the Taxation Act, enacted by subsection 1, applies before 1 January 1991, it shall read as follows:

“961.1.5.1 For the purposes of paragraph *c* of section 961.1.5, section 961.3, the second paragraph of section 961.5, subparagraph *d* of the second paragraph of section 961.6, subparagraph *b* of the second paragraph of section 961.17 and the first paragraph of section 961.17.1, “spouse” has the meaning assigned by section 905.3.”

142. (1) Sections 961.2 to 961.6 of the said Act are repealed.

(2) This section has effect from 1 January 1991. Furthermore, where subparagraph *d* of the second paragraph of section 961.6 of the Taxation Act, repealed by this section, applies after 31 December 1987 and before 1 January 1991, it shall read as follows:

“(d) a registered retirement income fund or registered retirement savings plan of the individual’s spouse or former spouse pursuant to a decree, order or judgment of a competent tribunal, or a written separation agreement, relating to a division of property between the individual and his spouse or former spouse in settlement of rights arising out of their marriage or conjugal relationship, on or after the breakdown of the marriage or relationship.”

143. (1) Section 961.8.1 of the said Act is replaced by the following section:

“**961.8.1** Where, at a particular time, an amount is credited or added to a deposit with a depositary referred to in subparagraph iv of paragraph *b* of subsection 1 of section 146.3 of the Income Tax Act (Statutes of Canada) as interest or other income in respect of the deposit and where the deposit is, at that time, a registered retirement income fund the annuitant under which is alive during the year in which the amount is credited or added, the amount is deemed not to be received by the annuitant by reason only of such crediting or adding.”

(2) This section has effect from 1 January 1991.

144. (1) Section 961.9 of the said Act is amended by replacing that part preceding paragraph *a* by the following:

“**961.9** Where a registered retirement income fund is revised or amended or a new fund is substituted therefor, and the fund as revised or amended or the new fund substituted therefor, as the case may be, in this section referred to as the “amended fund”, is deemed, under subsection 11 of section 146.3 of the Income Tax Act (Statutes of Canada), not to be a registered retirement income fund for the purposes of the said Act, the following rules apply:”

(2) This section has effect from 1 January 1991.

145. (1) Sections 961.9.1 and 961.9.2 of the said Act are repealed.

(2) This section has effect from 1 January 1991.

146. (1) Section 961.13 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) if it receives in the year a gift of property, other than property transferred in accordance with subparagraph i or ii of paragraph *f* of subsection 2 of section 146.3 of the Income Tax Act (Statutes of Canada), or received such a gift of property in a preceding year and has not divested itself of that property or any property substituted therefor before the commencement of the year.”

(2) This section has effect from 1 January 1991.

147. (1) Section 961.15 of the said Act is replaced by the following section:

“**961.15** Notwithstanding section 961.12, a trust governed by a registered retirement income fund that acquires property that is not a qualified investment for the purposes of section 146.3 of the Income Tax Act (Statutes of Canada), shall pay tax under this Part on the amount that its taxable income for the year would be if the trust had no incomes or losses from sources other than property that is not a qualified investment for the purposes of the said Act and no capital gains or capital losses other than from the disposition of such property.”

(2) This section has effect from 1 January 1991.

148. (1) Section 961.17 of the said Act is amended by replacing subparagraphs *a* and *b* of the second paragraph by the following subparagraphs:

“(a) an amount transferred as described in paragraph *e* of subsection 2 of section 146.3 of the Income Tax Act (Statutes of Canada); or

“(b) an amount transferred from a registered retirement income fund of the annuitant to a registered retirement income fund or a registered retirement savings plan of his spouse or former spouse pursuant to a decree, order or judgment of a competent tribunal, or a written separation agreement, relating to a division of property between the annuitant and his spouse or former spouse in settlement of rights arising out of their marriage or conjugal relationship, on or after the breakdown of the marriage or relationship.”

(2) This section, where it replaces subparagraph *a* of the second paragraph of section 961.17 of the Taxation Act, has effect from 1 January 1991, and where it replaces subparagraph *b* of the second paragraph of the said section, it has effect from 1 January 1988.

149. (1) Section 961.17.0.1 of the said Act is replaced by the following section:

“961.17.0.1 Where, at any time in a taxation year, a particular amount in respect of a registered retirement income fund that is a spousal plan, within the meaning of paragraph *f* of section 905.1, in relation to an individual is required to be included in computing the income of the individual's spouse and the individual is not an individual who is living separate and apart from his spouse at that time by reason of the breakdown of their marriage, the individual shall include, at that time, in computing his income for the year, the least of the following amounts:

(a) the aggregate of all amounts each of which is a premium, within the meaning of paragraph *e* of section 905.1, paid by him in the year or in one of the two immediately preceding taxation years to a registered retirement savings plan under which his spouse was the annuitant, within the meaning of paragraph *b* of section 905.1, at the time the premium was paid,

(b) the particular amount, and

(c) the amount by which the aggregate of all amounts each of which is an amount in respect of the fund that is required, in the year and at or before that time, to be included in computing the income of the individual's spouse exceeds the minimum amount under the fund for the year.”

(2) This section applies from the taxation year 1989. However, where section 961.17.0.1 of the Taxation Act, enacted by subsection 1, applies to the taxation years 1989 and 1990, it shall read as follows:

“961.17.0.1 Where, at any time in a taxation year, a particular amount in respect of a registered retirement income fund that received property from a registered retirement savings plan to which a premium deductible under paragraph *d.2* of section 339 or section 923 has been paid, is required to be included in computing the income of the individual's spouse, all premiums paid by the individual in the year or in one of the two immediately preceding taxation years, to the extent that they were deductible under paragraph *d.2* of section 339 or section 923 in computing his income for a year, shall be included at that time in computing the individual's income for the year to the extent that the aggregate of the particular amounts paid in the year exceeds the minimum amount under the fund for the year.

The first paragraph does not apply where, at the time referred to therein, the individual is living separate and apart from his spouse by reason of the breakdown of their marriage.”

150. (1) Section 961.17.0.2 of the said Act is repealed.

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

151. (1) Section 961.17.0.4 of the said Act is amended

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

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

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

“(d) in respect of an amount that is deemed, under the first paragraph of section 961.17.1, to have been received by an annuitant under a registered retirement income fund immediately before his death.”

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

152. (1) Section 961.17.0.5 of the said Act is amended by replacing that part preceding paragraph *b* by the following:

“961.17.0.5 Where, in respect of an amount required, at any time in a taxation year, to be included in computing the income of the individual’s spouse, all or part of a premium has, by virtue of section 961.17.0.1, been included in computing the individual’s income for the year, the following rules apply:

(a) the premium or part thereof, as the case may be, is, for the purposes of sections 931.1 and 961.17.0.1, after that time, deemed not to have been a premium paid to a registered retirement savings plan under which the individual’s spouse was the annuitant, within the meaning of paragraph *b* of section 905.1; and”.

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

153. (1) Section 961.19 of the said Act is replaced by the following section:

“961.19 Where, at any time in a taxation year, a trust governed by a registered retirement income fund acquires an investment that is not a qualified investment for the purposes of section 146.3 of the Income Tax Act (Statutes of Canada) or commences to use or permit to be used a property of the trust as security for a loan, the annuitant under the fund at that time shall include, in computing his income for

the year, the fair market value of the investment at the time of the acquisition or, as the case may be, the fair market value of the property at the time the property commences to be so used.”

(2) This section has effect from 1 January 1991.

154. (1) Section 961.20 of the said Act is replaced by the following section:

“961.20 Where a trust governed by a registered retirement income fund disposes in a taxation year of property that, when acquired and for the purposes of section 146.3 of the Income Tax Act (Statutes of Canada), was not a qualified investment the cost of which to the trust was included by virtue of section 961.19 in computing the income of the individual, the individual who was the annuitant under the fund at the time of the disposition may deduct, in computing his income for the year, the lesser of that cost and the proceeds of disposition of the property.”

(2) This section has effect from 1 January 1991.

155. (1) Section 961.21 of the said Act is amended by replacing subsection 1 by the following subsection:

“961.21 (1) Where, at any time in a taxation year, a loan for which a trust governed by a registered retirement income fund has used or permitted to be used trust property as security ceases to be extant and the fair market value of the property so used was included, by virtue of section 961.19, in computing the income of the individual who is the annuitant under the fund, the individual who is at that time the annuitant under the fund may deduct, in computing his income for the year, the amount by which the amount so included in computing the income of an individual in consequence of the trust’s using or permitting to be used the property as security for the loan exceeds the net loss sustained by the trust in consequence of its using or permitting to be used the property as security for the loan.”

(2) This section has effect from 1 January 1991.

156. (1) Chapter VI of Title V.1 of Book VII of Part I of the said Act is repealed.

(2) This section has effect from 1 January 1991.

157. (1) The said Act is amended by inserting, after section 965, the following:

"TITLE VI.0.1**"REGISTERED PENSION PLANS****"CHAPTER I****"DEFINITIONS**

"965.0.1 For the purposes of this title,

"spouse" of an individual has the meaning assigned by section 905.3;

"money purchase provision" of a pension plan has the meaning assigned by subsection 1 of section 147.1 of the Income Tax Act (Statutes of Canada);

"defined benefit provision" of a pension plan has the meaning assigned by subsection 1 of section 147.1 of the Income Tax Act (Statutes of Canada);

"single amount" means an amount that is not part of a series of periodic payments;

"member" of a pension plan means an individual who has a right, either immediate or in the future and either absolute or contingent, to receive benefits under the plan, other than an individual who has such a right only by reason of the participation of another individual in the plan.

"CHAPTER II**"DEDUCTIONS**

"965.0.2 An employer may deduct, in computing his income for a taxation year ending after 31 December 1990, the amount that, by virtue of paragraph *q* of subsection 1 of section 20 of the Income Tax Act (Statutes of Canada), is deductible for the year in computing his income for the purposes of the said Act.

"965.0.3 An individual may deduct, in computing his income for a taxation year ending after 31 December 1990, an amount equal to the aggregate of the following amounts:

(a) the amounts that, by virtue of paragraph *m* of subsection 1 of section 8 of the Income Tax Act (Statutes of Canada), are deductible for the year in respect of the individual in computing his income for the purposes of the said Act, to the extent that the said paragraph refers to paragraph *a* of subsection 4 of section 147.2 of the said Act,

(b) the least of the following amounts:

- i. the amount described in the second paragraph,
- ii. \$5 500, and
- iii. the amount determined by the formula

$$(\$5\,500 \times Y) - Z, \text{ and}$$

(c) the lesser of the following amounts:

- i. the amount by which

(1) the aggregate of all amounts each of which is a contribution, other than an additional voluntary contribution, a contribution prescribed by regulation for the purposes of clause A of subparagraph i of paragraph c of subsection 4 of section 147.2 of the Income Tax Act (Statutes of Canada) or a contribution included in the aggregate determined in respect of the individual for the year under subparagraph a of the second paragraph, made by the individual in the year or any preceding taxation year and after 31 December 1962, to a registered pension plan in respect of a particular year before the year 1990, if all or any part of the particular year is included in the individual's eligible service under the plan, exceeds

(2) the aggregate of all amounts each of which is an amount deducted, in computing the individual's income for any preceding taxation year, in respect of contributions included in the aggregate determined in respect of the individual for the year under subparagraph 1, and

ii. the amount by which \$5 500 exceeds the aggregate of the amounts deducted by reason of paragraphs a and b in computing the individual's income for the year.

The amount referred to in subparagraph i of subparagraph b of the first paragraph is equal to the amount by which

(a) the aggregate of all amounts each of which is a contribution, other than an additional voluntary contribution or a contribution prescribed by regulation for the purposes of clause A of subparagraph i of paragraph b of subsection 4 of section 147.2 of the Income Tax Act (Statutes of Canada), made by the individual in the year or any preceding taxation year and after 31 December 1945, to a registered pension plan in respect of a particular year before the year 1990, if all or any part of the particular year is included in the individual's eligible service under the plan and if

i. in the case of a contribution that the individual made before 28 March 1988 or was obliged to make under the terms of an agreement in writing entered into before that date, the individual was not a contributor to the plan in the particular year, or

ii. in any other case, the individual was not a contributor to any registered pension plan in the particular year, exceeds

(b) the aggregate of all amounts each of which is an amount deducted, in computing the individual's income for any preceding taxation year, in respect of contributions included in the aggregate determined in respect of the individual for the year under subparagraph *a*.

For the purposes of the formula set forth in subparagraph iii of subparagraph *b* of the first paragraph,

(a) *Y* is the number of calendar years before the year 1990 each of which is

i. a year all or any part of which is included in the individual's eligible service under a registered pension plan to which the individual has made a contribution that is included in the aggregate determined under subparagraph *a* of the second paragraph, if the individual was not a contributor to any registered pension plan in that year, or

ii. a year all or any part of which is included in the individual's eligible service under a registered pension plan to which the individual has made a contribution before 28 March 1988, or was obliged to make a contribution under the terms of an agreement in writing entered into before that date, that is included in the aggregate determined under subparagraph *a* of the second paragraph, if the individual was not a contributor to the plan in that year, and

(b) *Z* is the aggregate of all amounts each of which is an amount deducted in computing the individual's income for any preceding taxation year

i. in respect of contributions included in the aggregate determined in respect of the individual for the year under subparagraph *a* of the second paragraph, or

ii. under paragraph *c* of section 70 to the extent permitted by paragraph *b* of section 71 as it read in its application to the taxation year 1990, in respect of additional voluntary contributions made in respect of a year that satisfies the conditions specified in subparagraph *a*.

“965.0.4 For the purpose of determining whether a teacher may deduct an amount contributed by him to a registered pension plan in computing his income for a taxation year ending after 31 December 1990 and before 1 January 1995 during which he was employed by Her Majesty or a person exempt from tax for the year under Book VIII, the following rules apply:

(a) subparagraph *a* of the second paragraph of section 965.0.3 shall read without reference to subparagraphs i and ii and with the necessary adaptations, and

(b) subparagraph *a* of the third paragraph of section 965.0.3 shall read as follows:

“(a) Y is the number of calendar years before the year 1990 each of which is a year all or any part of which is included in the individual’s eligible service under a registered pension plan to which the individual has made a contribution that is included in the aggregate determined under subparagraph *a* of the second paragraph, and”.

“CHAPTER III

“TRANSFERS

“965.0.5 An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred on behalf of a member in full or partial satisfaction of his entitlement to benefits under a money purchase provision of the plan as registered, and

(c) the amount is transferred directly to another registered pension plan to provide benefits in respect of the member under a money purchase provision of that plan or to a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph *b* of section 905.1.

“965.0.6 An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred on behalf of a member in full or partial satisfaction of his entitlement to benefits under a money purchase provision of the plan as registered, and

(c) the amount is transferred directly to another registered pension plan to fund benefits provided in respect of the member under a defined benefit provision of that plan.

“965.0.7 An amount is transferred from a registered pension plan, in this section referred to as the “transferor plan”, in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount consists of all or any part of the property held in connection with a defined benefit provision of the transferor plan,

(c) the amount is transferred directly to another registered pension plan to be held in connection with a defined benefit provision of the other plan, and

(d) the amount is transferred as a consequence of benefits becoming provided under the defined benefit provision of the other plan to one or more individuals who were members of the transferor plan.

“965.0.8 An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount no portion of which relates to an actuarial surplus,

(b) the amount is transferred on behalf of a member in full or partial satisfaction of his entitlement to benefits under a defined benefit provision of the plan as registered,

(c) the amount does not exceed the amount referred to in paragraph c of subsection 4 of section 147.3 of the Income Tax Act (Statutes of Canada), and

(d) the amount is transferred directly to another registered pension plan to provide benefits in respect of the member under a money purchase provision of that plan or to a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph b of section 905.1.

“965.0.9 An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred on behalf of an individual who is the spouse or former spouse of a member of the plan and who is entitled to the amount pursuant to a decree, order or judgment of a competent tribunal, or a written separation agreement, relating to a division of property between the member and the individual in settlement of rights arising out of their marriage or conjugal relationship, on or after the breakdown of the marriage or relationship, and

(c) the amount is transferred directly to another registered pension plan for the benefit of the individual or to a registered retirement savings plan under which the individual is the annuitant, within the meaning of paragraph *b* of section 905.1.

“965.0.10 An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred on behalf of a member who is entitled to the amount as a return of contributions made by him under a defined benefit provision of the plan before 1 January 1991, or as interest, computed at a reasonable rate, in respect of those contributions, and

(c) the amount is transferred directly to another registered pension plan on behalf of the member or to a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph *b* of section 905.1.

“965.0.11 An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount no portion of which relates to an actuarial surplus,

(b) the amount is transferred on behalf of an individual who is entitled to the amount as a consequence of the death of a member of the plan and who was a spouse or former spouse of the member at the date of the member's death, and

(c) the amount is transferred directly to another registered pension plan on behalf of the individual or to a registered retirement savings plan under which the individual is the annuitant, within the meaning of paragraph *b* of section 905.1.

“965.0.12 An amount is transferred from a registered pension plan, in this section referred to as the “transferor plan”, in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount consists of all or any portion of the property held in connection with a defined benefit provision of the transferor plan,

(c) the amount is transferred directly to another registered pension plan to be held in connection with a money purchase provision of the other plan and used to satisfy employer obligations to make contributions under the money purchase provision,

(d) the amount is transferred in conjunction with the transfer of other amounts from the defined benefit provision to the money purchase provision on behalf of all or a significant number of members of the transferor plan whose benefits under the defined benefit provision are replaced by benefits under the money purchase provision, and

(e) the transfer is acceptable to the Minister of National Revenue for the purposes of paragraph *e* of subsection 8 of section 147.3 of the Income Tax Act (Statutes of Canada), and the Minister has so notified the administrator of the transferor plan in writing.

“965.0.13 Where an amount is transferred in accordance with sections 965.0.5 to 965.0.12, the following rules apply:

(a) the amount shall not, by reason only of that transfer, be included in computing the income of any individual by reason of section 317, and

(b) no deduction may be made under any provision of this Part in computing the income of any individual in respect of the amount transferred.

“965.0.14 Where an amount is transferred from a registered pension plan, in this section referred to as the “transferor plan”, to another registered pension plan or to a registered retirement savings plan on behalf of an individual and the transfer is not in accordance

with any of sections 965.0.5 to 965.0.11, the amount transferred is, notwithstanding section 2.3, deemed to have been paid to the individual by the transferor plan.

“965.0.15 Where an amount is transferred from a registered pension plan to another registered pension plan or to a registered retirement savings plan and a portion, but not all, of the amount is transferred in accordance with any of sections 965.0.5 to 965.0.12, the following rules apply:

(a) section 965.0.13 applies in respect of the portion of the amount that is transferred in accordance with any of sections 965.0.5 to 965.0.12, and

(b) section 965.0.14 applies in respect of the remainder of the amount.

“965.0.16 Where the transfer in a calendar year of an amount from a registered pension plan on behalf of a member of the plan would, but for this section, be in accordance with section 965.0.5 or 965.0.6 and, for the purposes of the Income Tax Act (Statutes of Canada), the registration of the plan is revocable at the end of the year as a consequence of an excess determined under any of paragraphs *a* and *b* of subsection 8 or 9 of section 147.1 of the said Act in respect of the member, such portion of the amount transferred as may reasonably be considered to derive from amounts allocated or reallocated to the member in the year or from earnings reasonably attributable to those amounts is deemed to be an amount that was not transferred in accordance with section 965.0.5 or 965.0.6, as the case may be, except to the extent expressly provided in writing by the Minister of National Revenue for the purposes of subsection 13 of section 147.3 of the said Act.

“965.0.17 For the purposes of this chapter, where property held in connection with a particular pension plan is made available to pay benefits under another pension plan, the property is deemed to have been transferred from the particular plan to the other plan.”

(2) This section, where it enacts the definition of “money purchase provision” set forth in section 965.0.1 of the Taxation Act, enacted by it, has effect from 1 January 1986, where it enacts the definitions of “defined benefit provision” and “single amount” set forth in the said section 965.0.1, has effect from 1 January 1988, and where it enacts the definitions of “spouse” and “member” set forth in the said section 965.0.1, has effect from 1 January 1989.

(3) This section, where it enacts section 965.0.2 of the Taxation Act, applies from the taxation year 1991 in respect of contributions paid to registered pension plans after 31 December 1990.

(4) This section, where it enacts sections 965.0.3 and 965.0.4 of the Taxation Act, applies from the taxation year 1991.

(5) This section, where it enacts Chapter III of Title VI.0.1 of Book VII of Part I of the Taxation Act, applies in respect of amounts transferred after 31 December 1987. However,

(a) where the said Chapter III, enacted by subsection 1, applies in respect of amounts transferred after 31 December 1987 and before 1 January 1989, it shall read as follows:

“CHAPTER III

“TRANSFERS

“965.0.5 An amount is transferred from a registered pension plan, in this section referred to as the “transferor plan”, in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount consists of all or any part of the property held in connection with a defined benefit provision of the transferor plan,

(c) the amount is transferred directly to another registered pension plan to be held in connection with a defined benefit provision of the other plan, and

(d) the amount is transferred as a consequence of benefits becoming provided under the defined benefit provision of the other plan to one or more individuals who were members of the transferor plan.

“965.0.6 Where an amount is transferred in accordance with section 965.0.5, the following rules apply:

(a) the amount shall not, by reason only of that transfer, be included in computing the income of any individual by reason of section 317, and

(b) no deduction may be made under any provision of this Part in computing the income of any individual in respect of the amount transferred.”;

(b) where section 965.0.14 of the said Act, enacted by subsection 1, applies in respect of amounts transferred after 31 December 1988 and before 1 January 1991, it shall read as follows:

“965.0.14 Where an amount is transferred from a registered pension plan, in this section referred to as the “transferor plan”, to another registered pension plan or to a registered retirement savings plan on behalf of an individual and the transfer is not in accordance with any of sections 965.0.5 to 965.0.11, the following rules apply:

(a) notwithstanding section 2.3, the amount transferred is deemed to have been paid to the individual by the transferor plan, and

(b) the individual is deemed to have paid the amount as a contribution to the other registered pension plan or as a premium to the registered retirement savings plan.”

158. (1) Section 966 of the said Act is amended by replacing that part preceding paragraph *a* by the following:

“966. In this title and sections 92.9 to 92.19,”.

(2) This section applies in respect of contracts or life insurance policies acquired or materially altered after 31 December 1989.

159. (1) Section 966.1 of the said Act is amended by replacing that part preceding paragraph *a* by the following:

“966.1 For the purposes of this title and sections 92.9 to 92.19,”.

(2) This section applies in respect of life insurance policies acquired or materially altered after 31 December 1989.

160. (1) Section 968 of the said Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of the first paragraph, a life insurance policy does not include a policy that is a registered pension plan, a registered retirement savings plan, a deferred profit sharing plan, an income-averaging annuity or an annuity contract, the holder of which may deduct the cost under paragraph *f* of section 339 in computing his income, nor a policy that is issued pursuant to such a plan, such an annuity or such a contract.”

(2) This section has effect from 1 January 1986. However, where the second paragraph of section 968 of the Taxation Act, enacted by

subsection 1, applies after 31 December 1985 and before 1 January 1991, the French text thereof shall read as if the reference therein to “régime de participation différée aux bénéfices” were a reference to “régime d’intéressement différé”.

161. (1) Section 976 of the said Act is amended

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

“**976.** In this title and sections 92.9 to 92.19, the adjusted cost basis to the holder of a life insurance policy of his interest in the policy at a particular time means the amount by which the amount computed under section 976.1 is exceeded by the aggregate of:”;

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

“(f) the amounts in respect of his interest in the policy that he included in computing his income for any taxation year ending before the particular time by virtue of sections 92 or 92.9 to 92.19;”;

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

“(h) in the case of an interest in a life annuity contract, within the meaning of the regulations under section 966, to which section 92.9 or 92.11 applies for the taxation year that includes the particular time, all amounts each of which is a mortality gain, within the meaning of the regulations and determined by the issuer of the contract in accordance with the regulations, in respect of the interest immediately before the end of the calendar year ending in a taxation year commencing before the particular time.”;

(4) by replacing the word “, exceeds” in that part preceding paragraph *a* of the English text, by the words “is exceeded by”.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of contracts or life insurance policies acquired or materially altered after 31 December 1989.

(3) Paragraph 3 of subsection 1 applies in respect of policies issued or materially altered after 31 December 1989.

(4) Paragraph 4 of subsection 1 applies to taxation years commencing after 31 December 1982.

162. (1) Section 976.1 of the said Act is amended by replacing paragraph *f* by the following paragraph:

“(f) in the case of an interest in an annuity contract to which section 92.9 or 92.11 applies, the annuity payments paid, in respect of the interest, while the policyholder held the interest and before the particular time;”.

(2) This section applies in respect of policies issued or materially altered after 31 December 1989.

163. (1) Section 998 of the said Act, amended by section 335 of chapter 59 of the statutes of 1990, is again amended

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

“(c.1) a corporation incorporated solely for the administration of a registered pension plan and accepted, under paragraph o.1 of subsection 1 of section 149 of the Income Tax Act (Statutes of Canada) by the Minister of National Revenue as a funding medium for the purposes of the registration of a pension plan, provided that the corporation has in fact administered that plan throughout the period referred to in section 980;”;

(2) by replacing that part of paragraph *c.2* preceding subparagraph iii by the following:

“(c.2) a corporation all of the shares, and rights to acquire shares, of the capital stock of which were owned by one or more registered pension plans, by one or more trusts all the beneficiaries of which are registered pension plans, by one or more segregated fund trusts, within the meaning of paragraph *k* of section 835, all the beneficiaries of which are registered pension plans or by one or more prescribed persons, or, in the case of a corporation without share capital, all the property of which was held exclusively for the benefit of one or more such plans and, in either case, without interruption from the later of the date on which the corporation was incorporated and 16 November 1978, and which is a corporation that

i. was incorporated before 17 November 1978 solely for the administration of a registered pension plan or in connection with that plan; or

ii. has limited, without interruption since the later of the date on which it was incorporated and 16 November 1978, its activities to acquiring, holding, maintaining, improving, leasing or managing capital property that is immovable property or an interest therein owned by the corporation, a registered pension plan or another corporation described in this subparagraph, other than a corporation without share capital, borrowed money solely for the purpose of earning income from immovable property or an interest therein and

made no investments other than investments in immovable property or in an interest in such property or that is a qualified investment of a pension plan under the Pension Benefits Standards Act, 1985 (R.S.C., 1985, chapter 32, 2nd Supplement) or a similar law of a province; or”;

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

“(d) a trust established under a registered pension plan;”;

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

“(e) a trust established under a profit sharing plan to the extent provided in Title I of Book VII;”;

(5) by replacing paragraph *f* by the following paragraph:

“(f) a trust established under a deferred profit sharing plan to the extent provided in Title II of Book VII;”;

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

“(h) a trust established under a registered retirement savings plan to the extent provided in Title IV of Book VII;”;

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

“(i.1) a trust established under a registered retirement income fund to the extent provided in Title V.1 of Book VII;”.

(2) Paragraphs 1 and 3 of subsection 1 have effect from 1 January 1986. However, where paragraph *c.1* of section 998 of the Taxation Act, enacted by the said paragraph 1, applies after 31 December 1985 and before 1 January 1991, it shall read as follows:

“(c.1) a corporation incorporated solely for the administration of a registered pension plan and accepted by the Minister as a funding medium for the purposes of the registration of a pension plan, to the extent that the corporation has in fact administered that plan throughout the period referred to in section 980;”.

(3) Paragraph 2 of subsection 1 has effect from 1 January 1986.

(4) Paragraphs 4 to 7 of subsection 1 have effect from 1 January 1991.

164. (1) Section 998.1 of the said Act is replaced by the following section:

“998.1 For the purposes of paragraph c.2 of section 998, where it must be determined if a corporation is a corporation all of the shares, and rights to acquire shares, of the capital stock of which were owned by one or more registered pension plans, where there has been a merger, within the meaning of section 544, of corporations, section 549 applies and the shares of the predecessor corporations are deemed to have been altered, in form only, and to be shares of the new corporation.”

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

165. (1) Section 1012.1 of the said Act, amended by section 342 of chapter 59 of the statutes of 1990 and section 72 of chapter *(insert here the chapter number of Bill 114)* of the statutes of *(insert here the year of assent to Bill 114)*, is again amended by inserting, after paragraph b.1, the following paragraph:

“(b.1.1) paragraph b of section 339 in respect of a premium, within the meaning of paragraph e of section 905.1, paid in a subsequent taxation year under a registered retirement savings plan where the premium is deductible by reason of section 923.5;”.

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

166. (1) Section 1015 of the said Act, amended by section 73 of chapter *(insert here the chapter number of Bill 114)* of the statutes of *(insert here the year of assent to Bill 114)*, is again amended by replacing paragraph h by the following paragraph:

“(h) a payment under a deferred profit sharing plan or a plan referred to in section 147 of the Income Tax Act (Statutes of Canada) as a plan the registration of which has been revoked;”.

(2) This section has effect from 1 January 1991.

167. (1) Section 1029.8.23 of the said Act, enacted by section 82 of chapter *(insert here the chapter number of Bill 114)* of the statutes of *(insert here the year of assent to Bill 114)*, is amended by replacing subparagraph e of the first paragraph by the following subparagraph:

“(e) an expenditure that is, for an eligible employee, a benefit which he is or would, but for the third paragraph of section 38 where it refers to a benefit in respect of counselling services, be required to include in computing his income for a taxation year under Division II of Chapter II of Title II of Book III or section 111;”.

(2) This section applies in respect of an expenditure made

(a) after 26 April 1990, where the expenditure both

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

ii. corresponds either to the payment or reimbursement of qualified training costs related to the activity or to the wages or salary paid in respect of the activity;

(b) after 31 August 1990, where the expenditure both

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

ii. corresponds either to qualified training costs related to the activity or to the wages or salary paid in respect of the activity.

168. (1) Section 1034.1 of the said Act is amended by replacing subsection 2 by the following subsection:

“(2) Where an amount is received out of or under a registered retirement income fund by an individual, other than an annuitant under the fund, and that amount or part thereof would, but for subparagraph *a* of the first paragraph of section 961.17, be included in computing the individual’s income for the year of receipt pursuant to the first paragraph of the said section, the individual and the annuitant under the fund are jointly and severally liable to pay a part of the annuitant’s tax under this Part for the year of his death equal to that proportion of the amount by which that tax exceeds the tax that would have been computed but for section 961.17.1 that the aggregate of all amounts each of which is an amount received from the fund by the individual and that would, but for subparagraph *a* of the first paragraph of section 961.17, be included in computing the individual’s income for the year of receipt pursuant to the first paragraph of the said section is of the amount included pursuant to section 961.17.1 in computing the annuitant’s income.”

(2) This section has effect from 19 December 1986.

169. (1) Section 1044 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1044. Where, for a particular taxation year, a taxpayer is entitled to exclude from his income under sections 294 to 298 an amount in respect of an option exercised in a subsequent taxation year or to deduct an amount relating to a subsequent taxation year and contemplated in paragraphs *b*, *b.1* or *b.2* to *f* of section 1012.1, his tax payable under this Part for the particular taxation year is deemed, for purposes of computing interest payable under sections 1037 to 1040, to be equal to that which the taxpayer would pay if he were not entitled to exclude from his income or deduct any of those amounts.”

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

170. (1) Section 1049.24 of the said Act, enacted by section 200 of chapter 7 of the statutes of 1990, is replaced by the following section:

“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 726.4.20.6 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.”

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

171. (1) Section 1053 of the said Act, amended by section 203 of chapter 7 of the statutes of 1990, is again amended by replacing that part preceding 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*, *b.1* or *b.2* 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 from the taxation year 1991.

172. (1) Section 1069 of the said Act is amended

(1) by striking out subparagraph *b* of the first paragraph;

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

“(c) refusing registration for the purposes of this Part of an education savings plan or a home ownership savings plan or revoking the registration of such a plan.”

(2) This section applies in respect of decisions rendered by the Minister of Revenue after 31 December 1990.

173. (1) Section 1098 of the said Act is replaced by the following section:

“**1098.** The Minister shall issue without delay to the person contemplated in section 1097 and to the proposed purchaser upon receipt of the notice provided for in the said section and upon payment, on account of tax payable by such person, of an amount equal to 18 % of the excess of the amount mentioned in subparagraph *c* of the first paragraph of section 1097 over that mentioned in subparagraph *d* of the said paragraph or upon the furnishing of a surety acceptable to the Minister in that respect, a certificate in prescribed form fixing the amount which such person proposes to receive from the disposition in accordance with subparagraph *c* of the said paragraph.”

(2) This section applies in respect of dispositions of taxable Québec property occurring after 31 December 1989.

174. (1) Section 1100 of the said Act is replaced by the following section:

“**1100.** The Minister shall issue without delay to the person contemplated in section 1099 and to the purchaser, upon receipt of the notice sent under the said section and upon payment, on account of tax payable by such person, of an amount equal to 18 % of the excess of the proceeds of disposition of the property over its adjusted cost base immediately before its disposition or upon the furnishing of a surety acceptable to the Minister in that respect, a certificate in prescribed form attesting such facts.”

(2) This section applies in respect of dispositions of taxable Québec property occurring after 31 December 1989.

175. (1) Section 1101 of the said Act is amended

(1) by replacing that part preceding subparagraph *b* of the first paragraph by the following:

“1101. Where a person, in this section referred to as the “purchaser”, acquires a taxable Québec property contemplated in section 1097 from a person not resident in Canada, in this section referred to as the “vendor”, the following rules apply:

(a) the purchaser is liable to pay to the Minister, as tax on behalf of the vendor, an amount equal to 18 % of the amount by which the purchase price of the property to the purchaser exceeds, as the case may be, the amount set forth in the certificate issued under section 1098 in respect of the disposition of the property by the vendor to the purchaser;”;

(2) by striking out subparagraph *c* of the first paragraph;

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

“This section does not apply to a purchaser where a certificate has been issued to him by the Minister under section 1100 in respect of the property or where, after reasonable inquiry, he had no reason to believe that the vendor with whom he dealt was not resident in Canada.”

(2) This section applies in respect of acquisitions of taxable Québec property occurring after 31 December 1989.

176. The said Act is amended

(1) by replacing the word “contribuait” in section 320 of the French text by the word “cotisait”;

(2) by replacing the word “contribué”, wherever it appears in sections 318 and 319 and paragraph *b* of each of sections 663 and 890.5 of the French text, by the word “cotisé”;

(3) by replacing the word “contribuent”, in the first paragraph of section 852 of the French text, by the word “cotisent”;

(4) by replacing the word “contribution”, wherever it appears in subsection 1 of section 43, sections 135, 135.1 and 320, subparagraph *c* of the second paragraph of section 890.3, paragraph *a* of section 890.5 and sections 890.6, 890.11 and 890.12 of the French text, by the word “cotisation”;

(5) by replacing the word “contributions”, wherever it appears in the first paragraph of section 47.6, the heading of Division IV of Chapter III of Title II of Book III of Part I, sections 209.1, 209.2 and 209.3, subparagraph *b* of the first paragraph of section 890.1 and sections 890.9, 890.12 and 890.13 of the French text, by the word “cotisations”.

177. Section 44.1 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is replaced by the following section:

“44.1 The rate of contribution is 3.6 % for the years 1966 to 1986, 3.8 % for the year 1987, 4.0 % for the year 1988, 4.2 % for the year 1989, 4.4 % for the year 1990, 4.6 % for the year 1991, 4.8 % for the year 1992, 5.0 % for the year 1993, 5.2 % for the year 1994, 5.4 % for the year 1995 and 5.6 % for the year 1996.”

178. (1) Section 2 of the Supplemental Pension Plans Act (R.S.Q., chapter R-15.1) is amended by replacing subparagraphs 2 and 3 of the first paragraph by the following subparagraphs:

“(2) a pension plan established for employees who are also members of a plan governed by this Act, if their employer makes contributions to both plans in their respect and if, under the terms of the other plan, they are entitled to benefits at least equal to the maximum benefits which may be paid under the terms of a registered pension plan defined in section 1 of the Taxation Act (R.S.Q., chapter I-3);

“(3) a profit sharing plan or a deferred profit sharing plan referred to in Titles I and II of Book VII of Part I of the Taxation Act;”.

(2) This section, where it replaces subparagraph 2 of the first paragraph of section 2 of the Supplemental Pension Plans Act has effect from 1 January 1990, and where it replaces subparagraph 3 of the first paragraph of the said section 2, has effect from 1 January 1991.

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

“(1) where the amendment is made to allow the plan to remain a registered pension plan within the meaning of section 1 of the Taxation Act (R.S.Q., chapter I-3);”.

(2) This section has effect from 23 March 1989.

130. (1) Section 80 of the said Act is amended by replacing paragraph 2 by the following paragraph:

“(2) when, by reason of the postponement, the plan no longer qualifies as a registered pension plan as defined in section 1 of the Taxation Act (R.S.Q., chapter I-3).”

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

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

“**91.** Every member or beneficiary who has become entitled to a pension part of which exceeds the maximum benefits payable under the terms of a registered pension plan defined in section 1 of the Taxation Act (R.S.Q., chapter I-3) may elect to require that the value of the excess be refunded to him.”

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

132. (1) Section 44.1 of the Act respecting supplemental pension plans (R.S.Q., chapter R-17) is amended by replacing the second paragraph by the following paragraph:

“Delay of payment of the pension may take place as long as a supplemental plan is able to comply with this division while remaining a registered pension plan within the meaning of section 1 of the Taxation Act (R.S.Q., chapter I-3).”

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

133. Sections 206 to 208 of the Act respecting the sociétés d'entraide économique (R.S.Q., chapter S-25.1) are repealed.

134. Section 210 of the said Act is repealed.

135. (1) Section 45 of the Act to amend the Courts of Justice Act with respect to the pension plans of the judges of the Court of Québec (1990, chapter 44) is amended by replacing the second paragraph by the following paragraph:

“However, the first paragraph of section 238 remains applicable with respect to any amount paid to a judge after 31 December 1989 as a salary adjustment for a year prior to 1990.”

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

186. Section 3 of the Act to again amend the Taxation Act and other fiscal legislation (1990, chapter 59) is amended by replacing subsection 6 by the following subsection:

“(6) Paragraph 5 of subsection 1 applies to taxation years or fiscal periods commencing after 17 June 1987 and ending after 31 December 1987 in respect of automobiles acquired after 17 June 1987 otherwise than pursuant to an obligation in writing entered into before 18 June 1987 or leased under a lease entered into, extended or renewed after 17 June 1987.”

187. Section 71 of the said Act is amended by replacing the third paragraph of section 130.1 of the Taxation Act, enacted by paragraph 1 of subsection 1, by the following paragraph:

“ “Where the excess amount referred to in the first paragraph concerns a prescribed class that includes an automobile acquired by the taxpayer before 18 June 1987 or after 17 June 1987 pursuant to an obligation in writing entered into before 18 June 1987, no amount shall be deducted by the taxpayer in computing his income for the year other than an amount equal to what the excess amount would be if the capital cost of the automobile did not exceed the prescribed amount and, subject to the fifth paragraph, where the excess amount referred to in the first paragraph concerns a prescribed class that includes either an automobile, other than an automobile used under a permit for the transportation of passengers for remuneration, acquired by the taxpayer before 18 June 1987 or after 17 June 1987 pursuant to an obligation in writing entered into before 18 June 1987, or an automobile that would have been such an automobile had it been acquired by the taxpayer before 18 June 1987 and that is a passenger vehicle acquired by him in his taxation year 1987, and the taxpayer is an individual who used the automobile partly to gain income from a business or property and partly for his personal use, no amount shall be deducted by the taxpayer in computing his income for the year other than an amount equal to the prescribed part of the excess amount.” ”

188. Section 91 of the said Act is amended by replacing subsection 2 by the following subsection:

“(2) This section applies to taxation years or fiscal periods commencing after 17 June 1987 and ending after 31 December 1987 in respect of automobiles acquired after 17 June 1987 otherwise than pursuant to an obligation in writing entered into before 18 June 1987.”

189. Section 168 of the said Act is amended

(1) by replacing subparagraph i of subparagraph *d* of the second paragraph of section 421.6 of the Taxation Act, enacted by subsection 1, by the following subparagraph:

“i. payable on the refundable amounts at the prescribed rate;”;

(2) by replacing subparagraph i of subparagraph *i* of the second paragraph of section 421.6 of the Taxation Act, enacted by subsection 1, by the following subparagraph:

“i. payable on the refundable amounts at the prescribed rate;”;

(3) by replacing subparagraph i of subparagraph *d* of the second paragraph of section 421.6 of the Taxation Act, enacted by subsection 4, by the following subparagraph:

“i. payable on the refundable amounts at the prescribed rate;”.

190. This Act comes into force on (*insert here the date of assent to this Act*).