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# NATIONAL ASSEMBLY

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SECOND SESSION

THIRTY-THIRD LEGISLATURE

Bill 60

**An Act to amend the Taxation Act  
and other legislation and to make  
certain provisions respecting retail  
sales tax**

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**Introduction**

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

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## EXPLANATORY NOTES

*This bill amends various fiscal laws and certain other legislation to give effect to the Ministerial Statements issued by the Minister of Finance on 21 October 1987 and 19 November 1987, as well as to that of 18 December 1987, in part, to the Statement of Budgetary Policy of the Government of 18 December 1985, in part, and, in part, to the Budget Speeches made by the Minister on 1 May 1986, 30 April 1987 and 12 May 1988.*

*Firstly, this bill amends the Act respecting certain caisses d'entraide économique in order to remove permission to carry over, after 1988, the balance of tax credits accumulated under that Act.*

*Secondly, it amends the Land Transfer Duties Act in order to provide an exemption from duties in the case of certain transfers of land to non-residents.*

*Thirdly, it amends the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) in order to extend the scope of the power of shareholders to require the Fonds to redeem class "A" shares.*

*Fourthly, it amends the Retail Sales Tax Act in order*

*(1) to provide that henceforth rolling-stock used as a prototype is included in the exemption of production equipment, and*

*(2) to insert in the Act the content of the Regulation respecting the exemption provided for in paragraphs z and aa of section 17 of the Retail Sales Tax Act.*

*Fifthly, it amends the Taxation Act in order to introduce amendments similar to those introduced, in part, into the Income Tax Act by federal Bills C-139 (S.C. 1988, chapter 55) and C-64 (S.C. 1987, chapter 46), assented to on 13 September 1988 and 17 December 1987, respectively, and to introduce certain Québec fiscal measures as a follow-up to the Ministerial Statements issued by the Minister of Finance on 21 October 1987, 19 November 1987 and 18 December*

*1987, to the Statement of Budgetary Policy of the Government of 18 December 1985, and to the Budget Speeches of 1 May 1986, 30 April 1987 and 12 May 1988. These measures regard the following matters in particular:*

*(1) the replacement of the present tax table, in which there are sixteen tax brackets, by a new table consisting of five tax brackets;*

*(2) the conversion of personal exemptions and of certain tax deductions into tax credits;*

*(3) the raising of the ceiling on deductions for child care expenses;*

*(4) the incorporation of the value of benefits arising from the tax credit for consumer taxes into the general taxation system;*

*(5) the abolition of the recovery of family allowances;*

*(6) the reduction of tax for families;*

*(7) the incorporation of the availability allowance into the child tax credit;*

*(8) the abolition of the restrictions on specific deductions for semi-retired older persons;*

*(9) the computation of the tax payable by a Canadian controlled private corporation on its income from a business which it actively carries on;*

*(10) the removal of permission to carry over, after 1988, the unclaimed balance of tax credits with respect to corporations for the development of Québec business firms (SODEQ);*

*(11) the consolidation and increase of allowable deductions with regard to strategic investments for the Québec economy, including, more particularly, with relation to the Québec Stock Savings Plan, the removal of the \$5 500 ceiling on deductions, the raising of the maximum value of assets a corporation may hold to qualify as a developing corporation, the eligibility of certain securities purchased in the secondary market for coverage and the relaxation of certain penalties, and, with regard to Québec business investment companies, the creation of regional companies allowing for a higher rate of deduction;*

*(12) an additional deduction for certain new investments made in Québec by a taxpayer who also carries on business outside Québec;*



*(13) the increase of the refundable tax credit for losses;*

*(14) the gradual removal of the special tax on oil refining corporations;*

*(15) the introduction of a new deduction in favour of individuals to promote the financing of scientific research and experimental development and the increase of the tax credit granted to certain corporations carrying on research and development;*

*(16) the fiscal treatment of retroactive disability pension payments;*

*(17) the reduction of the period during which the Minister of Revenue is not required to pay interest on refunds owing to taxpayers from sixty to thirty days;*

*(18) the introduction of a refundable tax credit in 1988 for the unclaimed balance of credits for SODEQ's, caisses d'entraide économique and sociétés d'entraide économique;*

*(19) the introduction of a refundable tax credit for the acquisition of certain shares in the course of the amalgamation of certain caisses d'établissement.*

*Sixthly, the bill amends the Licenses Act in order to introduce into it the new taxation rates on pari mutuels.*

*Seventhly, it amends the Act respecting the Ministère du Revenu in order to introduce measures concerning, in particular, the rate of interest applicable to claims and refunds from the Ministère du Revenu and the reduction of the period during which the Minister of Revenue is not required to pay interest on refunds owing to taxpayers from sixty to thirty days.*

*Eighthly, it repeals the Act respecting the payment of allowances to certain self-employed workers.*

*Ninthly, it amends the Act respecting real estate tax refund in order to improve the system in general.*

*Tenthly, it amends the Act respecting the sociétés d'entraide économique in order to remove permission to carry over, after 1988, the balance of tax credits accumulated under that Act.*

*In the eleventh place, it amends the Meals and Hotels Tax Act in order to provide an exemption for certain establishments which have their meals prepared by other operators.*

*Last of all, it provides for the payment of compensation by the Minister of Revenue*

*(1) to certain beneficiaries of social aid;*

*(2) to a person who is a party to a litigation contesting the legality of the regulations which exclude rolling-stock from the sales-tax exemption for production equipment, as well as to his attorney.*

#### **ACTS AMENDED OR REPEALED BY THIS BILL**

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

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

(3) Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1);

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

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

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

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

(8) Act respecting the payment of allowances to certain self-employed workers (R.S.Q., chapter P-1);

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

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

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





# Bill 60

## **An Act to amend the Taxation Act and other legislation and to make certain provisions respecting retail sales tax**

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

### TITLE I

#### LEGISLATIVE AMENDMENTS

#### CHAPTER I

##### ACT RESPECTING CERTAIN CAISSES D'ENTRAIDE ÉCONOMIQUE

**1.** (1) Section 130 of the Act respecting certain caisses d'entraide économique (R.S.Q., chapter C-3.1) is repealed.

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

#### CHAPTER II

##### LAND TRANSFER DUTIES ACT

**2.** (1) Section 17 of the Land Transfer Duties Act (R.S.Q., chapter D-17) is amended by replacing paragraph *h* by the following paragraph:

“(*h*) the particulars required by sections 32, 40 to 44.1 and 47, if such is the case;”.

(2) This section has effect from 21 December 1983.

**3.** (1) Section 44 of the said Act is amended

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

(2) by replacing the period at the end of paragraph *g* by the following: “; or”;

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

“(h) the deed is in relation to the transfer of land by a transferor that is a public agency to a transferee who receives the land in exchange for other land of equal market value which is intended mainly for purposes of public utility.”

(2) This section applies in respect of a transfer of land made after 31 December 1986.

**4.** (1) The said Act is amended by inserting, after section 44, the following section:

**“44.0.1** For the purposes of paragraph *h* of section 44, where the market value of the land transferred to the transferee is greater than that of the land acquired by the transferor, duties shall be payable on only such difference in value.”

(2) This section applies in respect of a transfer of land made after 31 December 1986.

**5.** (1) Section 44.1 of the said Act, amended by section 3 of chapter 67 of the statutes of 1987, is again amended by adding, after subsection 2, the following subsection:

“(3) Notwithstanding subsection 2, there shall be an exemption from the payment of duties where the transferee uses the land for the construction or renovation of a building for lease or sale, on the following conditions:

i. the construction or renovation of the building shall be completed within five years after the work begins;

ii. the cost of the building shall be at least equal to the market value of the land on the date, in the case of construction, of the laying of the foundation or other seating of the building or, as the case may be, on the date the renovation work begins;

iii. the land and the building shall be sold or leased within two years of the construction or renovation of such building; and

iv. the area and value of the land shall be reasonable, all things considered.”

(2) This section applies in respect of changes of use of land on which the laying of foundations or other seating began after 31 December 1986.

### CHAPTER III

#### ACT TO ESTABLISH THE FONDS DE SOLIDARITÉ DES TRAVAILLEURS DU QUÉBEC (F.T.Q.)

**6.** (1) Section 10 of the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1) is amended,

(1) by replacing subparagraphs 1 and 2 of the first paragraph by the following subparagraphs:

“(1) at the request of the person who purchased the share from the Fund at least 730 days prior to the request if, after reaching 60 years of age, he has availed himself of his right to early retirement or retirement or if he has reached 65 years of age;

“(2) at the request of a shareholder who did not purchase the share from the Fund, if the person who had acquired it from the Fund has reached 65 years of age or, if deceased, would have reached that age had he lived provided that, in either case, the share was issued at least 730 days prior to the request;”;

(2) by replacing the period at the end of subparagraph 4 of the first paragraph by a semicolon;

(3) by adding, after subparagraph 4 of the first paragraph, the following subparagraph:

“(5) at the request of a person who purchased the share from the Fund if he is declared, in the manner prescribed by regulation, to be suffering from a severe and prolonged physical or mental disability which prevents him from working.”;

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

“For the purposes of subparagraph 5 of the first paragraph, the Government may, by regulation,

(1) determine the manner in which a person is declared to be suffering from a severe and prolonged physical or mental disability which prevents him from working;

(2) determine under what circumstances and conditions a person may be considered to have ceased to work owing to his disability.”

(2) This section applies to shares redeemed after *(insert here the date of assent to this Act)*.

**7.** (1) The said Act is amended by inserting, after section 10, the following section:

**“10.1** For the purposes of subparagraph 5 of the first paragraph of section 10, a disability is severe only if by reason thereof the person is incapable regularly of pursuing any substantially gainful occupation.

However, in the case of a person 60 years of age or over, a disability is severe if by reason thereof the person is incapable regularly of carrying on the substantially gainful occupation he holds at the time he ceases to work owing to his disability.

A disability is prolonged only if it is likely to result in death or to be of indefinite duration.”

(2) This section applies to shares redeemed after *(insert here the date of assent to this Act)*.

**8.** (1) Section 11 of the said Act is amended

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

**“11.** Subject to the second paragraph of section 123.54 of the Companies Act (R.S.Q., chapter C-38), the Fund is bound to redeem any class “A” share at the request of a person contemplated in subparagraph 1, 2, 3 or 5 of the first paragraph of section 10.”;

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

“Likewise, in the case provided for in subparagraph 5 of the first paragraph of section 10, the Fund is bound to redeem the share at the price determined in the second paragraph and to pay the price thereof within a reasonable time after the date on which the request therefor was made.”

(2) This section applies to shares redeemed after *(insert here the date of assent to this Act)*.



CHAPTER IV  
RETAIL SALES TAX ACT

REGULATION RESPECTING THE EXEMPTION PRESCRIBED  
FOR IN PARAGRAPHS *aa* AND *ab* OF SECTION 15 OF  
THE RETAIL SALES TAX ACT

AND

REGULATION RESPECTING THE EXEMPTION PROVIDED  
FOR IN PARAGRAPHS *z* AND *aa* OF SECTION 17 OF  
THE RETAIL SALES TAX ACT

**9.** (1) Section 10.1 of the Retail Sales Tax Act (R.S.Q., chapter I-1), replaced by section 9 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

**“10.1** Every person who has purchased or produced in Québec or brought into Québec moveable property contemplated in paragraph *z* of section 17 which is rolling-stock only employed out of public roads for the purposes of carrying on mine or timber business, within the meaning of sections 18.3 and 18.4, excluding railway material, shall, at the time he begins to use the property for any other purpose or on a public road, pay a tax at the rate provided in section 6 on the market value of the property at that time.”

(2) This section has effect from 11 May 1983.

**10.** (1) The said Act is amended by inserting, after section 18.2, the following sections:

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

(*a*) “production equipment”:

- i. machinery, tools, equipment and accessories;
- ii. molds, dies, photographic or cinematographic films, magnetic or video tapes and other property of the same nature;
- iii. plans, drawings, models and prototypes;
- iv. component or spare parts of the property contemplated in subparagraphs i to iii and vii;

v. material to manufacture or repair the property contemplated in subparagraphs i to iv and vii;

vi. explosives and the material to manufacture them;

vii. rolling-stock only employed out of public roads for the purposes of carrying on mine or timber business, except railway material which is not only used solely in a mine or quarry for the purposes of the exploitation of this mine or quarry, as well as rolling-stock used as prototypes,

but does not include equipment for the air conditioning, lighting, heating or ventilation of production premises, rolling-stock used for purposes other than those described in subparagraph vii and any returnable property which is used for the delivery or transportation of merchandise;

(b) "rolling-stock":

i. every self-propelled vehicle and includes, *inter alia*, an aircraft, a locomotive, a tractor and a truck;

ii. every property normally powered otherwise than by human muscular strength;

iii. all that which is attached to a property contemplated in subparagraphs i and ii or intended to be so,

but does not include bridge cranes;

(c) "production": all those activities consisting of the assembling, processing or conditioning of property from which are derived other property that is different from the first ones by their nature or characteristics, the restoring of moveable property by their owner, the taping of pictures or the recording of sound and the generating of electricity including, whenever performed by the same person in conjunction with the preceding activities:

i. the generation or transformation of any form of energy;

ii. the detecting, measurement, treatment, reduction or elimination of water, soil or air pollution which is attributable to the production of moveable property;

iii. the transport to a first point of depot of refuse or waste derived from production;

iv. the quality control of the property being produced or the control of the production material;

v. the cleaning, screening, sifting, wrapping, packing or putting into containers;

but does not include the storage of finished products or the assembly, transformation or preparation of moveable property by a retail business.

**“18.4** For the purposes of subparagraph vii of paragraph *a* of section 18.3, the following mean:

(*a*) “carrying on timber business”: the whole cutting works, transformation and handling of the timber in a forest, except transportation of timber sold for delivery to a purchaser and operations of a saw mill or pulp and paper mill;

(*b*) “carrying on mine business”: the whole extraction-works and processing deriving from a mineral resource until the first stage of concentration or the equivalent, and includes exploitation of quarries, sand-pits and gravel-pits but not peat-bogs.”

(2) This section, where it enacts section 18.3 of the Retail Sales Tax Act, has effect from 12 May 1976 and, where it enacts section 18.4 of the said Act, has effect from 11 May 1983.

**11.** Notwithstanding section 10, that part of section 18.3 of the Retail Sales Tax Act enacted thereby which precedes paragraph *a* shall,

(1) for the period from 12 May 1976 to 31 August 1979, so far as the French text is concerned, be read as follows:

**“18.3** Aux fins des paragraphes *aa* et *ab* de l'article 15 et du présent article, on entend par:”;

(2) for the period from 12 May 1976 to 14 June 1980, so far as the English text is concerned, be read as follows:

**“18.3** For the purposes of paragraphs *aa* and *ab* of section 15 and of this section, the following mean:”.

**12.** Notwithstanding section 10, paragraph *a* of section 18.3 of the Retail Sales Tax Act enacted thereby shall, for the period from 12 May 1976 to 12 April 1977, be read taking into account the following amendments:

(1) subparagraph i is replaced by the following subparagraph:

“i. machinery and equipment, their accessories, component or spare parts or the material to manufacture them;”;

(2) subparagraph iv is replaced by the following subparagraph:

“iv. explosives;”;

(3) subparagraphs v, vi and vii are struck out;

(4) that part which follows subparagraph vii is replaced by the following:

“but does not include tools, equipment for air conditioning, lighting, heating or ventilation of the production premises, rolling-stock and returnable containers;”.

**13.** Notwithstanding section 10, that part of paragraph *c* of section 18.3 of the Retail Sales Tax Act enacted thereby which follows subparagraph v shall, for the period from 12 May 1976 to 28 June 1983, be read as follows:

“but does not include the storage of finished products.”

**14.** Notwithstanding section 10, paragraph *a* of section 18.3 of the Retail Sales Tax Act enacted thereby shall, for the period from 13 April 1977 to 10 May 1983, be read taking into account the following amendments:

(1) subparagraphs iv and v are replaced by the following subparagraphs:

“iv. component or spare parts or the property contemplated in subparagraphs i to iii;

“v. material to manufacture or repair the property contemplated in subparagraphs i to iv;”;

(2) subparagraph vii is struck out;

(3) that part which follows subparagraph vii is replaced by the following:

“but does not include equipment for the air conditioning, lighting, heating or ventilation of production premises, rolling-stock and any returnable property which is used for the delivery or transportation of merchandise;”.

**15.** Notwithstanding section 10, subparagraph vii of paragraph *a* of section 18.3 of the Retail Sales Tax Act enacted thereby shall, for the period from 11 May 1983 to 12 May 1988, be read as follows:

“vii. rolling-stock only employed out of public roads for the purposes of carrying on mine or timber business, except railway material which is not only used in a mine or quarry for the purposes of the exploitation of this mine or quarry;”.

**16.** (1) The Regulation respecting the exemption prescribed in paragraphs *aa* and *ab* of section 15 of the Retail Sales Tax Act, passed by Order in Council 2397-76 of 7 July 1976, and the amendments thereto are repealed.

(2) This section has effect from 12 May 1976.

**17.** (1) The Regulation respecting the exemption provided for in paragraphs *z* and *aa* of section 17 of the Retail Sales Tax Act (R.R.Q., 1981, chapter I-1, r. 9) and the amendments thereto are repealed.

(2) This section has effect from 1 August 1982.

**18.** Sections 9 to 17 also apply to cases pending before the courts.

**19.** Section 31 of the said Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) to define the expression “household linen” for the purposes of the application of paragraph *ad* of section 17 and the word “furniture” for the purposes of the application of paragraph *ag* of the same section;”.

## CHAPTER V

### TAXATION ACT

**20.** (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 4 of chapter 67 of the statutes of 1987, by section 17 of chapter 4 of the statutes of 1988 and by section 2 of chapter 18 of the statutes of 1988, is again amended

(1) by inserting, after the definition of “specified financial institution”, the following definition:

““specified member” of a partnership in a fiscal period or taxation year of the partnership, as the case may be, means

(a) any member of the partnership who is a limited partner, within the meaning assigned by section 613.6, of the partnership at any time in the fiscal period or taxation year;

(b) any member of the partnership, other than a member who is actively engaged in those activities of the partnership business which are other than the financing of the partnership business, or carrying on a similar business to that carried on by the partnership in its taxation year, otherwise than as a member of a partnership, on a regular, continuous and substantial basis throughout that part of the fiscal period or taxation year during which the business of the partnership is ordinarily carried on and during which he is a member of the partnership;”;

(2) by replacing the definition of “paid-up capital” by the following definition:

““paid-up capital” has the meaning assigned by paragraph *a* of section 570, except for the purposes of Titles VI.1 and VI.2 of Book VII and Title V of Book IX, excluding sections 1045 to 1049;”;

(3) by replacing paragraph *a* of the definition of “small business corporation” by the following paragraph:

“(a) used in a qualified business carried on primarily in Canada by the corporation or by a corporation to which it is related;”;

(4) by replacing paragraph *b* of the definition of “child” by the following paragraph:

“(b) a person who is wholly dependent on the taxpayer for support and of whom the taxpayer has, or immediately before such person attained the age of 19 years did have, in law or in fact, the custody and control;”;

(5) by inserting the following definition of “qualified business” after the definition of “public corporation” and by inserting the following definition of “specified investment business” after the definition of “specified financial institution”:

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

““specified investment business” has the meaning assigned by paragraph *a* of section 771.1;”;

(6) by replacing paragraph *b* of the definition of “personal services business” by the following paragraph:

“(b) the amount received or receivable by the corporation in the year for the services provided is paid or payable by a corporation with which it is associated during that year;”.

(2) Paragraph 1 of subsection 1 has effect from 16 December 1987.

(3) Paragraph 2 of subsection 1, where it amends section 1 of the Taxation Act by replacing the definition of “paid-up capital” so as to insert a reference to Title VI.1 of Book VII of the said Act, has effect from 7 May 1986 and, where the amendment is made so as to insert a reference to Title V of Book IX, excluding sections 1045 to 1049, of the said Act, it has effect from 2 March 1988.

(4) Paragraphs 3 and 5 of subsection 1 apply from the taxation year 1989.

(5) Paragraphs 4 and 6 of subsection 1 apply from the taxation year 1988.

**21.** (1) The said Act is amended by inserting, after section 7.4, the following section:

**“7.5** Except as otherwise provided in this Part, where an amount or a number is required under this Part to be determined or calculated by or in accordance with an algebraic formula, if the amount or number when so determined or calculated would, but for this section, be a negative amount or number, it is deemed to be nil.”

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

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

“(f) he was a dependent child described in paragraph *b* of section 752.0.1 and under 18 years of age or described in paragraph *g* of the said section, of an individual described in paragraph *b*, *c* or *d*.”

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

**23.** (1) Section 19 of the said Act is amended by replacing that part of subsection 1 which precedes paragraph *a* by the following:

**“19.** (1) For the purposes of this Part, related persons or persons related to each other are”.

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

**24.** (1) Section 20 of the said Act is amended by replacing what precedes paragraph *a* by the following:

**“20.** For the purposes of sections 19, 21.1 to 21.4.1 and 21.19 to 21.24,”.

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

**25.** (1) Section 21 of the said Act is amended by replacing what precedes paragraph *a* by the following:

**“21.** For the purposes of this Part, except sections 752.0.1 to 752.0.7,”.

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

**26.** (1) Section 21.5.1 of the said Act is amended by replacing paragraph *c* by the following paragraph:

**“(c)** a corporation that acquired the share after 11 December 1979 and is associated with a corporation referred to in paragraph *a* or *b*, or”.

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

**27.** (1) Section 21.6 of the said Act is amended by replacing paragraph *d* by the following paragraph:

**“(d)** a share issued before 22 April 1980 by a corporation described in any of paragraphs *b* to *f* of section 250.3 or by a corporation associated with any such corporation and listed on a prescribed stock exchange in Canada; or”.

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

**28.** (1) The said Act is amended by inserting, after section 21.19, the following:

## “CHAPTER IX

### “ASSOCIATED CORPORATIONS

**“21.20** For the purposes of this Part, one corporation is associated with another in a taxation year if at any time in the year,

(a) one of the corporations controlled the other;



(b) both of the corporations were controlled by the same person or group of persons;

(c) each of the corporations was controlled by a person and the person who so controlled one of the corporations was related to the person who so controlled the other, and either of those persons owned directly or indirectly, in respect of each corporation, not less than 10% of the issued shares of any class of the capital stock thereof;

(d) one of the corporations was controlled by a person and that person was related to each member of a group of persons that so controlled the other corporation, and that person or group owned directly or indirectly, in respect of each corporation, not less than 10% of the issued shares of any class of the capital stock thereof; or

(e) each of the corporations was controlled by a related group and each of the members of one of the related groups was related to all of the members of the other related group, and either of those related groups owned directly or indirectly, in respect of each corporation, not less than 10% of the issued shares of any class of the capital stock thereof.

**“21.21** For the purposes of this Part, where two corporations are associated, or deemed by this section to be associated, with the same corporation at the same time, they are deemed to be associated with each other.

**“21.22** Where one corporation would, but for this section, be associated with another corporation in a taxation year by reason of both of the corporations being controlled by the same trustee or testamentary executor and it is established to the satisfaction of the Minister that the trustee or testamentary executor did not acquire control of the corporations as a result of one or more trusts created or successions opened by the same individual or two or more individuals not dealing with each other at arm's length, and that the trust or succession under which the trustee or testamentary executor acquired control of each of the corporations arose only upon the death of the individual who created the trust or whose succession was opened, the two corporations are deemed, for the purposes of this Part, not to be associated with each other in the year.

**“21.23** Where one corporation would, but for this section, be associated with another corporation in a taxation year, by reason only that the other corporation is a trustee under a trust pursuant to which the corporation is controlled, the two corporations are deemed, for the purposes of this Part, not to be associated with each other in the year unless, at any time in the year, a settlor of the trust controlled or is a

member of a related group that controlled the other corporation that is the trustee under the trust.

**“21.24** Where a particular corporation would, but for this section, be associated with another corporation in a taxation year by reason of being controlled by the other corporation or by reason of both of the corporations being controlled by the same person at a particular time in the year and it is established to the satisfaction of the Minister that the two conditions set out in the second paragraph are fulfilled, the two corporations are deemed, for the purposes of this Part, not to be associated with each other in the year.

The conditions referred to in the first paragraph are the following:

(a) there was in effect at the particular time an enforceable agreement or arrangement under which, upon the satisfaction of a condition or the happening of an event that it is reasonable to expect will be satisfied or happen, the particular corporation will cease to be controlled by the other corporation or the person controlling the particular corporation and become controlled by a person or group of persons, with whom or with each of the members of which, as the case may be, the other corporation or the person controlling the particular corporation was at the particular time dealing at arm's length;

(b) the primary purpose for which the particular corporation was at the particular time so controlled was the safeguarding of rights or interests of the other corporation or the person controlling the particular corporation in respect of any loan granted by the other corporation or the person controlling the particular corporation the whole or any part of the principal amount of which was outstanding at the particular time, or in respect of any shares of the capital stock of the particular corporation that were owned by the other corporation or the person controlling the particular corporation at the particular time and that were, under the enforceable agreement or arrangement referred to in subparagraph *a*, to be redeemed by the particular corporation or purchased by the person or group of persons referred to in subparagraph *a* who are to acquire control of the particular corporation.”

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

**29.** (1) Section 22 of the said Act, amended by section 18 of chapter 4 of the statutes of 1988, is again amended by replacing the second paragraph by the following paragraph:

“The tax payable under sections 750 to 752 and 758 to 766.1 by an individual contemplated in the first paragraph, carrying on a business

outside Québec in Canada, is equal to the proportion of the tax which would be established under those sections but for this paragraph that his income earned in Québec is of his income earned in Québec and elsewhere, as established by the regulations.”

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

**30.** (1) Section 23 of the said Act is amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) the amount which would be his taxable income earned in Canada contemplated in section 1091 for any period of the year other than that mentioned in subparagraph *a*, if he had not resided in Canada at any time of the year, computed as if such period constituted a whole taxation year. For the purposes of such computation, an individual who ceased to be resident in Canada during the year under the circumstances mentioned in section 1093 is deemed to have ceased to be resident there during a previous year under the same circumstances.”

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

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

“**24.** The taxable income of an individual contemplated in section 22 for a taxation year is obtained by adding to his income for the year any addition provided for in Book IV and by subtracting from such income any deduction permitted by that book, except if that individual was resident in Canada for a part of that taxation year and, during another part of the year, has not been employed or carried on a business there. In the latter case, his taxable income shall be computed in the manner indicated in section 23, whether he is an individual who has begun to reside in Canada during the year or an individual who ceased to be resident there during the year.”

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

**32.** (1) Section 25 of the said Act, amended by section 19 of chapter 4 of the statutes of 1988, is again amended by replacing the second paragraph by the following paragraph:

“The tax payable under sections 750 to 752 and 758 to 766.1 by an individual contemplated in the first paragraph is equal to the proportion, which cannot exceed 1, of the tax that he would pay, but for this paragraph, under those sections on his taxable income as it

would be determined under section 24 if he were resident in Québec, that his income earned in Québec is of the excess of what his income would have been if he had resided in Québec on the last day of the taxation year over any amount he deducted under section 737.16 or 737.21 in computing such taxable income.”

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

**33.** (1) Section 26 of the said Act, amended by section 20 of chapter 4 of the statutes of 1988, is again amended by replacing the second paragraph by the following paragraph:

“The tax payable under sections 750 to 752 and 752.1 to 766.1 by an individual contemplated in the first paragraph is equal to the proportion, which cannot exceed 1, of the tax that he would pay, but for this paragraph, under those sections on his taxable income earned in Canada, as determined under Part II, if he were resident in Québec, that his income earned in Québec is of his income earned in Canada as determined under section 1090.”

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

**34.** (1) Section 87 of the said Act, amended by section 19 of chapter 67 of the statutes of 1987 and by section 7 of chapter 18 of the statutes of 1988, is again amended by replacing subparagraph ii of paragraph *w* by the following subparagraph:

“ii. except as provided for in section 1029.8.18, does not reduce, for the purposes of this Act, the cost or capital cost of the property or the amount of the expense;”.

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

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

#### “DIVISION II.1

##### “INCLUSIONS IN RESPECT OF CERTAIN INVESTMENTS

**“104.1** Where an amount is included under section 94 in computing the income of a taxpayer for a taxation year in respect of depreciable property of a prescribed class and an amount was allowed as a deduction under section 156.1 in respect of that property in computing his income from a business for a preceding taxation year, an amount equal to the product obtained by multiplying the aggregate of the amounts determined under section 156.2 or 156.3, as the case may

be, in respect of the property for a preceding taxation year by the amount determined according to the following formula, shall be included in computing his income from a business for the year:

$$\frac{A}{B} \times \frac{C}{D} .$$

For the purposes of the formula provided in the first paragraph,

(a) the letter A represents the amount included under section 94 in computing the income of the taxpayer for the year in respect of the property referred to in the first paragraph;

(b) the letter B represents the total depreciation, within the meaning of paragraph *b* of section 93, allowed to the taxpayer in respect of the property referred to in the first paragraph;

(c) the letter C represents

i. where the taxpayer is an individual, the aggregate of the income earned in Québec and elsewhere by the individual for the year;

ii. where the taxpayer is a corporation, the aggregate of the business carried on in Québec and elsewhere by the corporation in the year;

(d) the letter D represents

i. where the taxpayer is an individual, the income earned in Québec by the individual for the year;

ii. where the taxpayer is a corporation, the business carried on in Québec by the corporation in the year.

**“104.2** For the purposes of section 104.1,

(a) the expressions “income earned in Québec” and “income earned in Québec and elsewhere” have the meaning assigned by the regulations under section 22, adapted as required;

(b) the expressions “business carried on in Québec” and “business carried on in Québec and elsewhere” have the meaning assigned by the regulations under section 771, adapted as required.

**“104.3** For the purposes of this division, where a taxpayer acquired from a transferor, at any time, in any manner whatever, under any of sections 99, 438, 440, 444, 450, 455, 459 and 462, a depreciable property of a prescribed class, the property was, immediately before its acquisition by the taxpayer, a capital property

of the transferor and an amount had been allowed as a deduction under section 156.1 in respect of the property in computing the income of the transferor for a taxation year preceding the taxation year in which the taxpayer acquired the property, the taxpayer is deemed to have deducted under section 156.1 in respect of the property, in computing his income from a business for the taxation years preceding the taxation year in which he acquired the property, an amount equal to the amount so allowed as a deduction under such section 156.1 in respect of the property in computing the income of the transferor.”

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

**36.** (1) Section 119.2 of the said Act, amended by section 28 of chapter 67 of the statutes of 1987, is again amended by replacing paragraph *b* by the following paragraph:

“(b) “property used for specified purposes” means property used primarily in the carrying on of a qualified business in Canada but does not include property used in a business carried on by a corporation as a member of a partnership or property that is used by a corporation primarily for the purpose of being leased to any person, other than an eligible corporation, that does not use the property primarily for the purpose of leasing it to any other person, and that would be associated with the corporation but for paragraph *b* of section 20;”.

(2) This section applies from the taxation year 1988. However, where it removes the words “within the meaning of paragraph *e* of section 451” from paragraph *b*, which it enacts, of section 119.2 of the Taxation Act, it applies from the taxation year 1989.

**37.** (1) Section 119.5 of the said Act, amended by section 30 of chapter 67 of the statutes of 1987, is again amended

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

**“119.5** Notwithstanding any other provision of this Part, except for the purposes of subparagraph i of paragraphs *c*, *d* and *d.1* of subsection 1 of section 771, subparagraph ii of paragraph *e* of that subsection and paragraph *b* of section 771.8, the taxable income of a corporation that has issued an obligation that is at any time a development bond is deemed, for a taxation year, to be an amount equal to the aggregate of its taxable income otherwise determined for the year and the amount paid or payable as interest on the obligation, depending on the method regularly followed by the corporation in computing its income in respect of a period of the year throughout which the obligation was a development bond and throughout which”;

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

“(c) all or substantially all of the proceeds from the issue of a bond that is a debt cannot reasonably be regarded as having been used by the issuer or a corporation with which it was not dealing at arm’s length in the financing of a qualified business carried on in Canada immediately before the time of its issuance, if the bond was issued”.

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

**38.** (1) Section 119.9 of the said Act is replaced by the following section:

“**119.9** Where at any particular time a corporation makes a joint election in respect of an obligation it has issued and at or before that time the corporation or a corporation associated with it made a joint election in respect of any other obligation, the corporation, for the purposes of this division, is deemed not to be an eligible corporation.”

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

**39.** (1) Section 119.11 of the said Act, amended by section 31 of chapter 67 of the statutes of 1987, is again amended by replacing the first paragraph by the following paragraph:

“**119.11** Where a corporation or any corporation associated with the corporation has made a joint election in respect of a development bond, section 119.9 does not apply with respect to the corporation nor to any corporation associated with that corporation that would, but for the said section 119.9, be an eligible corporation in respect of any obligation issued at any time after 23 May 1985 in circumstances described in any of subparagraphs *i* to *iii* of paragraph *c* of section 119.5.”

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

**40.** (1) Section 119.18 of the said Act, amended by section 34 of chapter 67 of the statutes of 1987, is again amended by replacing paragraph *b* by the following paragraph:

“(b) all or substantially all of the proceeds from the issue of an obligation issued in circumstances described in any of subparagraphs *i* to *iii* of paragraph *b* of section 119.15 is not used by the eligible issuer in the financing of a qualified business, taking into account the necessary modifications, carried on by it in Canada immediately before the time of the issuance of the obligation.”

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

**41.** (1) Section 119.22 of the said Act, amended by section 36 of chapter 67 of the statutes of 1987, is again amended

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

“ii. a development bond issued at or before the particular time by a corporation that is controlled by the individual, or by a related group of which the individual is a member, or a corporation that is associated with such a corporation or”;

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

“ii. a development bond issued at or before the particular time by a corporation that is controlled by the individual referred to in paragraph i or by a related group of which the individual is a member, or a corporation that is associated with such a corporation.”

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

**42.** (1) Section 130 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) subject to section 130.0.1, the prescribed part or amount of the capital cost of such property, and”.

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

**43.** (1) The said Act is amended by inserting, after section 130, the following section:

**“130.0.1** An individual shall not however deduct under paragraph *a* of section 130, in computing his income from a business or property for a taxation year subsequent to his taxation year 1987, the prescribed part or amount of the capital cost of property that is a certified Québec film within the meaning of the regulations under the said section.”

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

**44.** (1) Section 130.1 of the said Act is amended



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

“However, subject to the third and fourth paragraphs, the taxpayer must deduct that excess amount in computing his income for the year and that excess amount is deemed to have been deducted under paragraph *a* of section 130 in computing his income for the year from a business or property.”;

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

“Where the excess amount referred to in the first paragraph concerns a prescribed class and includes a certified Québec film within the meaning of the regulations under section 130, a taxpayer shall not deduct that excess amount in computing his income from a business or property for a taxation year subsequent to his taxation year 1987.”

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

**45.** (1) Section 135 of the said Act, amended by section 37 of chapter 67 of the statutes of 1987 and by section 9 of chapter 18 of the statutes of 1988, is again amended by striking out paragraph *a*.

(2) This section has effect from 16 December 1987.

**46.** (1) The said Act is amended by inserting, after section 156, the following:

#### “DIVISION VIII.1

##### “ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN INVESTMENTS

**“156.1** A taxpayer may deduct, in computing his income from a business for a taxation year,

(*a*) where the taxpayer is an individual, the proportion of the amount determined for the year in his respect under section 156.2 that the aggregate of the income earned in Québec and elsewhere by the individual for the year is of the income earned in Québec by the individual for the year;

(*b*) where the taxpayer is a corporation, the proportion of the amount determined in its respect under section 156.3 that the aggregate of the business carried on in Québec and elsewhere by the corporation in the year is of the business carried on in Québec by the corporation in the year.

**“156.2** The amount referred to in paragraph *a* of section 156.1 is, in respect of an individual for a taxation year, equal to 35 % of the amount determined in respect of the individual for the year according to the following formula:

$$A \times \frac{B}{C}$$

For the purposes of the formula provided in the first paragraph,

(*a*) the letter A represents the amount deducted by the individual, in computing his income for the year, under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a prescribed depreciable property;

(*b*) the letter B represents the amount by which the aggregate of the income earned in Québec and elsewhere by the individual for the year exceeds the income earned in Québec by the individual for the year;

(*c*) the letter C represents the aggregate of the income earned in Québec and elsewhere by the individual for the year.

**“156.3** The amount referred to in paragraph *b* of section 156.1 is, in respect of a corporation for a taxation year, equal to 35 % of the amount determined in respect of the corporation for the year according to the following formula:

$$A \times \frac{B}{C}$$

For the purposes of the formula provided in the first paragraph,

(*a*) the letter A represents the amount deducted by the corporation, in computing its income for the year, under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a prescribed depreciable property;

(*b*) the letter B represents the amount by which the aggregate of the business carried on in Québec and elsewhere by the corporation in the year exceeds the business carried on in Québec by the corporation in the year;

(*c*) the letter C represents the aggregate of the business carried on in Québec and elsewhere by the corporation in the year.

**“156.4** For the purposes of sections 156.1 to 156.3,

(a) the expressions “income earned in Québec” and “income earned in Québec and elsewhere” have the meaning assigned by the regulations under section 22, adapted as required;

(b) the expressions “business carried on in Québec” and “business carried on in Québec and elsewhere” have the meaning assigned by the regulations under section 771, adapted as required.”

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

**47.** (1) Section 157 of the said Act, amended by section 40 of chapter 67 of the statutes of 1987 and by section 11 of chapter 18 of the statutes of 1988, is again amended by replacing paragraph *l.1* by the following paragraph:

“(l.1) such part of any amount paid in the year by the taxpayer on an amount payable by him by virtue of section 32 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) where that section applies to an excess in relation to this Part, or of a prescribed disposition and as may reasonably be considered to be a repayment of interest that he included in computing his income for the year or a preceding taxation year;”.

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

**48.** (1) The said Act is amended by inserting, after section 157.4.2, the following section:

“**157.4.3** Notwithstanding sections 157.4 to 157.4.2, no individual may deduct any amount under the said sections in computing his income for a taxation year from his taxation year 1988.”

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

**49.** (1) Section 222 of the said Act, replaced by section 45 of chapter 67 of the statutes of 1987 and amended by section 13 of chapter 18 of the statutes of 1988, is again amended by replacing subsection 1 by the following subsection:

“**222.** (1) A taxpayer who carries on a business in Canada in a taxation year and who files with his fiscal return under this Part for the year a prescribed form containing prescribed information may deduct in computing his income from that business for that taxation year an amount not exceeding to aggregate of all amounts each of which is an expenditure of a current nature made by him in that year or in any previous taxation year ending after 1973, either on scientific research and experimental development related to a business of the

taxpayer and directly undertaken in Canada by him or on his behalf or by way of a payment to be used for scientific research and experimental development carried on in Canada, related to a business of the taxpayer, provided that the taxpayer is entitled to exploit the results of such scientific research and experimental development, and that the payment was made to one of the following entities:

(a) an association recognized by the Minister to undertake scientific research and experimental development;

(b) a university, college, research institute or other similar institution recognized by the Minister;

(c) a corporation resident in Canada and exempt from tax under section 991;

(d) a corporation resident in Canada;

(e) an organization recognized by the Minister that makes payments to an association, institution or corporation described in any of paragraphs *a* to *c*."

(2) This section applies in respect of expenditures made after 15 December 1987, other than expenditures made after that date and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities and was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity described in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of this section as part of a public fund raising

campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(3) For the purposes of paragraph *a* of subsection 2, where the expenditure is made after 15 December 1987 by way of a payment made to an entity described in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act as enacted by subsection 1 of this section, the scientific research and experimental development to be performed pursuant to that payment must be so performed before 1 January 1989.

**50.** (1) Section 223 of the said Act, amended by section 46 of chapter 67 of the statutes of 1987, is replaced by the following section:

**“223.** A taxpayer referred to in subsection 1 of section 222 may also deduct, in computing his income from the business referred to therein for a taxation year, an amount not exceeding the lesser of

(*a*) the aggregate of all amounts each of which is an expenditure of a capital nature made by the taxpayer, in the year or in a preceding taxation year ending after 31 December 1958, in respect of property acquired that would be depreciable property of the taxpayer if this section were not applicable in respect of the property, other than land or a leasehold interest in land, on scientific research and experimental development carried on in Canada, directly undertaken by or on behalf of the taxpayer, and related to a business of the taxpayer; and

(*b*) the undepreciated capital cost to the taxpayer of the property so acquired as of the end of the taxation year, before making any deduction under this section in computing the income of the taxpayer for the year.”

(2) This section applies in respect of expenditures made after 15 December 1987, other than expenditures made after that date and before 1 January 1989 pursuant to

(*a*) an obligation entered into in writing before 16 December 1987;

(*b*) the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

(c) the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities and was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum.

**51.** (1) Section 224 of the said Act, replaced by section 47 of chapter 67 of the statutes of 1987, is again replaced by the following section:

**“224.** A taxpayer referred to in subsection 1 of section 222 may also deduct, in computing his income from the business referred to therein for the year, all amounts included by virtue of paragraph *t* of section 87 in computing his income for any previous taxation year and the aggregate of all amounts each of which is an expenditure made by the taxpayer in the year or in any previous taxation year ending after 31 December 1973 as repayment of an amount described in paragraph *b* of section 225.”

(2) This section applies in respect of expenditures made after 30 April 1988.

**52.** (1) Section 225 of the said Act and section 226 of the said Act, replaced by section 48 of chapter 67 of the statutes of 1987, are replaced by the following sections:

**“225.** The aggregate of the amounts that may be deducted by a taxpayer under sections 222 to 224, in computing his income for a taxation year, shall be reduced by the aggregate of the following amounts:

(a) the amount prescribed;

(b) the aggregate of all amounts each of which is the amount of any government assistance or non-government assistance, within the meanings assigned respectively by paragraphs *a* and *b* of section 1029.8.17, in respect of an expenditure described in section 222 or 223 that, at the time of filing of his fiscal return for the year, the taxpayer has received, is entitled to receive or can reasonably be expected to receive;

(c) the aggregate of all amounts each of which is an amount deducted under sections 222 to 224 in computing the taxpayer's

income for a preceding taxation year, except amounts described in section 229;

(*d*) where the taxpayer is a corporation control of which has been acquired by a person or group of persons before the end of the year, the amount determined for the year under section 225.1 with respect to the corporation.

**“225.1** Where a taxpayer is a corporation control of which was last acquired by a person or group of persons at any time before the end of a taxation year of the corporation, the amount determined for the purposes of paragraph *d* of section 225 for the year with respect to the corporation is the amount obtained by subtracting the amount determined under the second paragraph from the amount by which

(*a*) the aggregate of all amounts each of which is

i. an expenditure described in section 222 that was made by the corporation before that time or an expenditure described in section 224, where that section refers to an expenditure made as repayment of an amount described in paragraph *b* of section 225 that was made by the corporation before that time;

ii. the lesser of the amounts determined in respect of the corporation under paragraphs *a* and *b* of section 223 immediately before that time;

iii. an amount determined in respect of the corporation for its taxation year ending immediately before that time under section 224, where that section refers to an amount included, under paragraph *t* of section 87, in computing its income for a preceding taxation year, exceeds

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

i. the aggregate of all amounts determined in respect of the corporation under paragraphs *a* to *c* of section 225 for its taxation year ending immediately before that time;

ii. the amount deducted by virtue of sections 222 to 225 in computing the corporation's income for its taxation year ending immediately before that time.

The amount referred to in the first paragraph is equal to the aggregate of

(*a*) where the business to which the amounts referred to in any of paragraphs i, ii and iii of subparagraph *a* of the first paragraph may

reasonably be considered to relate was carried on by the corporation for profit or with a reasonable expectation of profit throughout the year, the aggregate of

i. the corporation's income for the year from the business before making any deduction under sections 222 to 225; and

ii. where properties were sold, leased, rented or developed, or services were rendered, in the course of carrying on the business before the time referred to in the first paragraph, the corporation's income for the year, before making any deduction under sections 222 to 225, from any other business substantially all the income of which was derived from the sale, leasing, rental or development, as the case may be, of similar properties or the rendering of similar services; and

(b) the aggregate of all amounts each of which is an amount determined in respect of a preceding taxation year of the corporation that ended after the time referred to in the first paragraph equal to the lesser of

i. the amount determined under subparagraph *a* with respect to the corporation in respect of the business for that preceding taxation year; and

ii. the amount in respect of the business deducted by virtue of sections 222 to 225 in computing the corporation's income for that preceding taxation year.

**“225.2** For the purposes of sections 222 to 225 and notwithstanding section 230.0.0.1, where a taxpayer is a corporation, scientific research and experimental development, related to a business carried on by another corporation to which the taxpayer is related, otherwise than by reason of a right referred to in paragraph *b* of section 20 and in which that other corporation is actively engaged, at the time at which an expenditure or payment in respect of the scientific research and experimental development is made by the taxpayer, shall be considered to be related to a business of the taxpayer at that time.

**“226.** A taxpayer may deduct, in computing his income for a taxation year from a business of the taxpayer, expenditures of a current nature made by him in the year either on scientific research and experimental development carried on outside Canada, directly undertaken by or on behalf of the taxpayer, and related to the business or by way of payments to any of the entities described in paragraphs *a* and *b* of subsection 1 of section 222 to be used for scientific research and experimental development carried on outside Canada related to



the business provided that the taxpayer is entitled to exploit the results of such scientific research and experimental development.”

(2) This section, where it enacts that part of section 225 of the Taxation Act which precedes paragraph *d*, has effect, subject to subsections 3 and 4, from 15 January 1987.

(3) Where paragraph *b* of section 225 of the Taxation Act, enacted by this section, applies in respect of an expenditure made before 1 May 1988, it shall read as follows:

“(b) the amounts paid to him in the year or in a preceding taxation year ending after 31 December 1973 according to the terms and conditions prescribed in the regulations under section 224;”.

(4) Where paragraph *c* of section 225 of the Taxation Act, enacted by this section, applies in respect of an amount deducted in computing income for a taxation year ending before 16 December 1987, it shall read as follows:

“(c) the amounts deducted under paragraph *a* of section 135 and sections 222 to 224 in computing his income for a preceding taxation year, except amounts described in section 229;”.

(5) This section, where it enacts paragraph *d* of section 225 of the Taxation Act, applies in respect of acquisitions of control occurring after 15 January 1987 other than acquisitions of control occurring before 1 January 1988 where the persons acquiring the control were obliged on 15 January 1987 to acquire the control pursuant to the terms of agreements in writing entered into on or before the latter date. However, where paragraph *d* of the said section 225 applies before 16 December 1987, the said paragraph *d* shall read as follows:

“(d) where the taxpayer is a corporation control of which has been acquired by a person or group of persons before the end of the year, the amount determined for the year under section 225.1 with respect to the corporation in respect of its business referred to in section 222.”

(6) This section, where it enacts section 225.1 of the Taxation Act, applies in respect of acquisitions of control occurring after 15 January 1987 other than acquisitions of control occurring before 1 January 1988 and where the persons acquiring the control were obliged, on 15 January 1987, to acquire the control pursuant to the terms of agreements in writing entered into on or before the latter date. However,

(a) where that part of the said section 225.1 which precedes subparagraph ii of subparagraph *a* of the first paragraph applies before 16 December 1987, it shall read as follows:

**“225.1** Where a taxpayer is a corporation control of which was last acquired by a person or group of persons at any time before the end of a taxation year of the corporation, the amount determined for the purposes of paragraph *d* of section 225 for the year with respect to the corporation in respect of a business is the amount obtained by subtracting the amount determined under the second paragraph from the amount by which

(a) the aggregate of all amounts determined in respect of the business each of which is

i. an expenditure described in section 222 that was made by the corporation before that time or an expenditure described in section 224 that was made by the corporation before that time, where the latter section refers to an expenditure made as repayment of amounts made to it in respect of expenditures on scientific research and experimental development incurred for the purpose of advancing or sustaining the technological capacity of a Canadian industry;”;

(b) where that part of paragraph *b* of the first paragraph of the said section 225.1 which precedes subparagraph i applies before 16 December 1987, it shall read as follows:

“(b) the aggregate of all amounts determined in respect of the business each of which is”;

(c) where that part of subparagraph *a* of the second paragraph of the said section 225.1 which precedes paragraph i applies before 16 December 1987, it shall read as follows:

“(a) where the corporation carried on the business for profit or with a reasonable expectation of profit throughout the year, the aggregate of”.

(7) This section, where it enacts section 225.2 of the Taxation Act, has effect from 16 December 1987.

(8) This section, where it replaces section 226 of the Taxation Act, applies in respect of expenditures made after 15 December 1987 other than expenditures made after that date and before 1 January 1989 pursuant to

(a) an obligation entered into in writing before 16 December 1987;

(b) the terms of a final prospectus, preliminary prospectus, offering memorandum or registration statement filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

(c) the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities and was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum.

**53.** (1) Section 229.1 of the said Act, enacted by section 28 of chapter 4 of the statutes of 1988, is repealed.

(2) This section applies in respect of

(a) expenditures made after 12 May 1988 other than expenditures made after 12 May 1988 out of sums collected no later than that date, where section 229.1 of the Taxation Act, repealed by this section, applies in respect of an individual who may deduct an amount, in computing his taxable income, under section 726.4.40 of the said Act;

(b) amounts paid after 12 May 1988 other than amounts paid after 12 May 1988 out of sums collected no later than that date, where section 229.1 of the Taxation Act, repealed by this section, applies in respect of an individual who may deduct an amount, in computing his taxable income, under section 726.4.50 of the said Act;

(c) wages and remuneration paid after 12 May 1988 other than wages and remuneration paid after 12 May 1988 out of sums collected no later than that date, where section 229.1 of the Taxation Act, repealed by this section, applies in respect of a corporation that is deemed, under section 1029.8.0.2 of the said Act, to have paid an amount to the Minister of Revenue as partial payment of its tax payable;

(d) amounts paid after 12 May 1988 other than amounts paid after 12 May 1988 out of sums collected no later than that date, where section 229.1 of the Taxation Act, repealed by this section, applies in respect of a corporation that is deemed, under section 1029.8.7.2 of the said Act, to have paid an amount to the Minister of Revenue as partial payment of its tax payable.

(3) For the purposes of subsection 2, any sum collected after 12 May 1988 is deemed to have been collected no later than that date if it is collected

(a) following a distribution pursuant to a final prospectus for which the receipt was granted no later than that date;

(b) following a distribution pursuant to a final prospectus for which the receipt was granted after 12 May 1988 but no later than 30 June 1988, if the receipt for the preliminary prospectus which preceded was granted no later than 12 May 1988;

(c) following a distribution made before 12 May 1988 under an exemption from filing a prospectus by virtue of section 48 or 51 of the Securities Act (R.S.Q., chapter V-1.1);

(d) following a distribution made after 12 May 1988 under an exemption from filing a prospectus by virtue of section 48 of the Securities Act pursuant to an offering memorandum received by the Commission des valeurs mobilières du Québec no later than 12 May 1988;

(e) following a distribution made after 12 May 1988 but no later than 30 June 1988 and used to make an expenditure, deductible under subsection 1 of section 222 or paragraph *a* of section 223 of the Taxation Act, pursuant to a written agreement signed no later than 12 May 1988.

(4) For the purposes of subsection 3, any sum collected following a distribution described in paragraph *b* or *d* of the said subsection constitutes a sum so collected up to the amount determined under the preliminary prospectus or the offering memorandum, as the case may be, that is equal to that part of the anticipated proceeds of the distribution which, under the preliminary prospectus or the offering memorandum, as the case may be, was to be used for scientific research and experimental development expenditures within the meaning of subsection 2 of section 222 of the Taxation Act.

**54.** (1) Section 230 of the said Act, replaced by section 49 of chapter 67 of the statutes of 1987, is amended by replacing the second paragraph by the following paragraph:

“For greater certainty, it is understood that scientific research and experimental development relating to a business includes any scientific research and experimental development that may lead to or facilitate an extension of that business.”

(2) This section has effect from 16 December 1987.

**55.** (1) The said Act is amended by inserting, after section 230, the following sections:

**“230.0.0.1** Except in the case of a taxpayer that derives all or substantially all of his revenue from the prosecution of scientific research and experimental development, including the sale of rights arising out of scientific research and experimental development carried on by him, the prosecution of scientific research and experimental development shall not be considered to be a business of the taxpayer to which scientific research and experimental development is related.

**“230.0.0.2** Notwithstanding the first paragraph of section 230, expenditures on scientific research and experimental development shall not include

(a) any capital expenditure made in respect of the acquisition of a building, other than a prescribed special-purpose building, including a leasehold interest therein;

(b) any rental expense incurred in respect of a building other than a prescribed special-purpose building;

(c) a payment described in the second paragraph that must be used for scientific research and experimental development and is made by a taxpayer to

i. a corporation resident in Canada and exempt from tax under section 991, a research institute recognized by the Minister or an association recognized by the Minister, with which the taxpayer does not deal at arm's length;

ii. a corporation other than a corporation referred to in subparagraph i;

iii. a university, college or organization recognized by the Minister;

(d) any expenditure made in respect of the acquisition or lease of animals, other than laboratory animals within the meaning of the regulations, or in respect of any other similar kind of transaction regarding such animals.

The payment referred to in subparagraph c of the first paragraph is

(a) a payment to an entity described in subparagraph i or ii of the said subparagraph c, to the extent that the payment may reasonably

be considered to have been made to enable the entity to acquire a building or a leasehold interest in a building or to pay the rental expense in respect of a building; or

(b) a payment to an entity described in subparagraph iii of the said subparagraph c, to the extent that the payment may reasonably be considered to have been made to enable the entity to acquire a building, or a leasehold interest in a building, in which the taxpayer has, or may reasonably be expected to acquire, an interest."

(2) This section, where it enacts section 230.0.0.1 of the Taxation Act, applies in respect of expenditures made after 15 December 1987, other than expenditures made after that date and before 1 January 1989 pursuant to

(a) an obligation entered into in writing before 16 December 1987;

(b) the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

(c) the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum.

(3) This section, where it enacts section 230.0.0.2 of the Taxation Act, applies in respect of

(a) buildings and leasehold interests acquired after 31 December 1987 other than a building or leasehold interest acquired before 1 January 1990

i. pursuant to an obligation entered into in writing before 18 June 1987; or

ii. the construction of which was commenced before 18 June 1987 by or on behalf of the taxpayer;

(b) rental expenses incurred after 31 December 1987, other than such rental expenses incurred pursuant to a written lease agreement

renewed, extended or entered into before 18 June 1987 by the taxpayer or a person with whom the taxpayer did not deal at arm's length at the time the lease was renewed, extended or entered into;

(c) a payment described in subparagraph *c* of the first paragraph of section 230.0.0.2 of the Taxation Act, enacted by this section, made after 15 December 1987 other than a payment made pursuant to an agreement entered into in writing before 16 December 1987 with a person with whom the taxpayer deals at arm's length;

(d) an expenditure referred to in subparagraph *d* of the first paragraph of section 230.0.0.2 of the Taxation Act, enacted by this section, made after 18 December 1987, other than an expenditure made after 18 December 1987 out of amounts collected on or before that date.

(4) For the purposes of subparagraph *d* of paragraph 3, any amount collected after 18 December 1987 is deemed to have been collected on or before that date if it was collected

(a) through a distribution made in accordance with a final prospectus for which the receipt was granted on or before that date;

(b) through a distribution made in accordance with a final prospectus for which the receipt was granted after 18 December 1987 but not later than 29 February 1988, if the receipt for the preliminary prospectus which preceded the distribution was granted on or before 18 December 1987;

(c) through a distribution made before 18 December 1987 under an exemption from filing a prospectus pursuant to section 48 or 51 of the Securities Act (R.S.Q., chapter V-1.1);

(d) through a distribution made after 18 December 1987 under an exemption from filing a prospectus pursuant to section 48 of the Securities Act in accordance with an offering memorandum received by the Commission des valeurs mobilières du Québec on or before 18 December 1987;

(e) through a distribution made after 18 December 1987 but not later than 29 February 1988 and used for the purpose of making an expenditure, which is deductible under subsection 1 of section 222 or paragraph *a* of section 223, pursuant to an agreement in writing entered into on or before 18 December 1987.

(5) For the purposes of subsection 4, an amount collected through a distribution made under subparagraph *b* or *d* of that paragraph is such an amount up to the amount determined under the preliminary

prospectus or the offering memorandum, as the case may be, equal to that part of the anticipated proceeds of the distribution provided for in the preliminary prospectus or the offering memorandum, as the case may be, which was to be used for expenditures for scientific research and experimental development, within the meaning of subsection 2 of section 222 of the Taxation Act.

**56.** (1) Section 230.2 of the said Act is repealed.

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

**57.** (1) Section 274 of the said Act is amended by replacing what precedes paragraph *a* by the following:

**“274.** The principal residence of an individual for a taxation year, for the purposes of this Title, is the housing unit, including a leasehold interest in that housing unit, ordinarily inhabited in the year by the individual, his spouse or former spouse or his child or in respect of which the individual has made an election contemplated in sections 284 to 286.2 for the year, if, in every case,”.

(2) This section applies in respect of the taxation year 1972 and subsequent taxation years with respect to dispositions occurring after 31 December 1987.

**58.** (1) Section 313.2 of the said Act is amended by replacing subparagraph *a* of the second paragraph by the following subparagraph:

**“(a)** an individual making a deduction for the year under sections 752.0.1 to 752.0.7 in respect of the child; or”.

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

**59.** (1) Section 313.3 of the said Act is replaced by the following section:

**“313.3** Notwithstanding section 313.2, where more than one individual has made a deduction for a taxation year under sections 752.0.1 to 752.0.7 in respect of a child in respect of whom an allowance described in the first paragraph of section 313.2 has been paid in the year, each such individual shall include that portion of the amount that, but for this section, he would be required to include in computing his income under section 313.2 in respect of that child that the amount deducted for the year under sections 752.0.1 to 752.0.7 in respect of that child is of the aggregate of the deductions made by each of such individuals in the year under the said sections in respect of that child, where the individual is contemplated in the first paragraph of section



752.0.7, or such proportion of the said amount as is determined for the individual in respect of that child for the year under the second paragraph of section 752.0.7, where the individual is contemplated in that second paragraph.”

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

**60.** (1) Section 351 of the said Act is amended

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

“(a) “eligible child” of an individual for a taxation year means a child of the individual or of his spouse, or a child in respect of whom the individual deducts an amount for the year under sections 752.0.1 to 752.0.7 if, in any case, at any time during the year, the child is either under 14 years of age or is dependent on the individual or on his spouse and has a mental or physical infirmity;”;

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

“(b) “child care expense” means an expense that is not excluded under section 352 and that is incurred in a taxation year for the purpose of providing, in Canada, for any eligible child of an individual, child care services including baby sitting services, day nursery services or services provided at a boarding school or a camp, if the child is kept to enable the individual or the supporting person of the child for the year, who resides with the child at the time the expense is incurred, to perform the duties of an office or employment, to carry on a business, either alone or as a partner actively engaged in it, to enroll in an occupational training course for which he received an allowance under the National Training Act (Statutes of Canada) or to carry on research or similar work for which he received a grant, and if the child is kept by a person resident in Canada who is not a person who is”;

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

“iii. a person in respect of whom the individual or a supporting person of the child deducts an amount under sections 752.0.1 to 752.0.7 in computing his tax payable for the year under this Part;”;

(4) by replacing subparagraph *iii* of paragraph *c* by the following subparagraph:

“iii. an individual who deducts an amount for the year under sections 752.0.1 to 752.0.7 in respect of the child;”.

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

**61.** (1) Section 352 of the said Act, replaced by section 31 of chapter 4 of the statutes of 1988 and replaced, in its English version, by section 23 of chapter 18 of the statutes of 1988, is again replaced by the following section:

**“352.** For the purposes of paragraph *b* of section 351, child care expenses shall not include expenses paid in the year for a child’s attendance at a boarding school or camp which exceed the total amount of \$120 per week for each child who either is under seven years of age on 31 December of that year or would have been had he then been living, or is described in section 355.1, and \$60 per week for any other child, for each week in the year during which the child attended the school or camp, nor shall they include the medical expenses contemplated in sections 752.0.11 to 752.0.13 or other expenses paid for medical or hospital care, clothing, transport or education or for board or lodging other than those described in the said paragraph *b*.”

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

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

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

“*ii.* 50 % or 100 % of the individual’s earned income for the year, according as the expenses were incurred in respect of one or more than one eligible child of the individual; exceeds”.

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

**63.** (1) Section 355 of the said Act, amended by section 33 of chapter 4 of the statutes of 1988, is again amended

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

“(b) an amount equal to the aggregate of \$120 per week for each eligible child of the individual for the year who either is under seven

years of age on 31 December of that year or would have been had he then been living, or is described in section 355.1, and in respect of whom such child care expenses are incurred, and of \$60 per week for any other eligible child of the individual for the year in respect of whom such child care expenses are incurred, for each week in the year during which child care expenses were incurred and throughout which the supporting person of a child of the individual was”;

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

“ii. a person certified by a physician, within the meaning of section 752.0.18, to be a person who was incapable of caring for children by reason of mental or physical infirmity which is likely to be for a long-continued period of indefinite duration or by reason of mental or physical infirmity and his confinement throughout a period of not less than two weeks in the year to bed, to a wheel-chair, or as a patient in a hospital, asylum or other similar institution;”;

(3) by replacing subparagraph iv of paragraph *b* by the following subparagraph:

“iv. a person who was separated from the individual at the end of the year and for a period of not less than 90 days commencing in the year, by reason of a breakdown of their marriage or of their life together.”

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

**64.** (1) The said Act is amended by inserting, after section 355, the following section:

**“355.1** A child referred to in section 352, subparagraph i of paragraph *a* of section 354 and paragraph *b* of section 355 is an eligible child who has a severe and prolonged mental or physical impairment that has been certified as such in prescribed form by a physician, within the meaning of section 752.0.18, or, if the impairment is an impairment of sight, by a physician or an optometrist, within the meaning of the last-named section, where a copy of the certificate has been filed with the Minister.”

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

**65.** (1) Section 358.1 of the said Act, enacted by section 34 of chapter 4 of the statutes of 1988 and replaced by section 24 of chapter 18 of the statutes of 1988, section 358.2 of the said Act, enacted by section 34 of chapter 4 of the statutes of 1988, and amended by section

25 of chapter 18 of the statutes of 1988, and sections 358.3 to 358.12 of the said Act, enacted by section 34 of chapter 4 of the statutes of 1988, are repealed.

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

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

**“358.13** An individual shall not deduct, in computing his income, an amount or his share of an amount referred to in section 358.10 or in section 358.11 relating to a university research contract entered into after 18 December 1987, unless a favourable advance ruling was made by the Ministère du Revenu regarding the university research contract to which the amount or share of the amount, as the case may be, relates before any amount was paid, under the contract, to an eligible university entity.

Moreover, where an amount or a share of an amount relates to more than one university research contract, the Advance Ruling referred to in the first paragraph is required in respect of each university research contract to which the amount or share of the amount, as the case may be, relates.

Where an amount was paid, under a university research contract, to an eligible university entity before a favourable advance ruling regarding the contract was made by the Ministère du Revenu, the amount so paid is deemed, for the purposes of the first paragraph only, to have been paid after a favourable advance ruling regarding the contract was made by the Ministère du Revenu where

(a) an application for an advance ruling regarding the contract was submitted to the Ministère du Revenu on or before 31 December 1988; and

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

(2) This section applies in respect of an amount which an individual may deduct, in computing his income for his taxation year 1987, under section 358.10 or 358.11 of the Taxation Act, where the amount or the portion of an amount, as the case may be, relates to a university research contract entered into after 18 December 1987 but before 1 January 1988.

**67.** (1) Section 429 of the said Act, amended by section 100 of chapter 67 of the statutes of 1987, is again amended by replacing

subparagraph *c* of the second paragraph by the following subparagraph:

“(c) subject to sections 693.1 and 752.0.26, that other person were entitled to the deductions to which the individual was entitled under sections 710 to 725.7 and 752.0.1 to 752.0.18 in computing his taxable income or his tax payable under this Part, as the case may be, for the year.”

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

**68.** (1) Section 451 of the said Act, amended by section 107 of chapter 67 of the statutes of 1987, is again amended

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

**“451.** For the purposes of this division and sections 234 to 236, 236.2, 237, 239 to 241, 261, 264, 271 to 273, 274.1, 275, 278 to 280.4, 288, 293, 428 to 430, 432 to 435, 454 to 455.1 and 459 to 462,”;

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

“(d) “child” of a taxpayer includes a grandchild and a great grandchild of the taxpayer and a person who, at any time before he attained the age of 19 years, was wholly dependent on the taxpayer for support and of whom the taxpayer had, at that time, in law or in fact, the custody and control;”;

(3) by striking out paragraph *e*.

(2) Paragraph 1 of subsection 1, where it strikes out the reference to section 463.1 of the Taxation Act, in that part, enacted by the said paragraph, of section 451 of the said Act which precedes paragraph *a*, applies in respect of dispositions made after 31 December 1987.

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

(4) Paragraph 3 of subsection 1 applies from the taxation year 1989.

**69.** (1) Section 499 of the said Act is replaced by the following section:

**“499.** Where the amount that an individual may deduct under section 752.0.1 by reason of paragraph *a* of the said section in computing his tax payable for a taxation year under this Part is, but for this section, less than the amount that would be so deductible if no

amount were included in computing the income of his spouse for the year under section 497, the individual may elect, in his fiscal return for the year, that dividends received from a taxable Canadian corporation which have to be included in computing the income of his spouse under the latter section be deemed to have been received by him in such year and not by his spouse."

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

**70.** (1) The said Act is amended by inserting, after section 521, the following section:

**"521.1** For the purposes of section 104.1, where this chapter applies to the disposition of depreciable property to a person or partnership and an amount has been allowed as a deduction, in computing the income of the transferor, under section 156.1 in respect of the property for a taxation year preceding the taxation year in which the property was acquired by the person or partnership, the amount is deemed to have been allowed as a deduction in computing the income of the person or partnership under that section in respect of the property for the taxation years preceding the taxation year in which the property was acquired by the person or partnership."

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

**71.** (1) Section 545 of the said Act is amended by adding, after subsection 3, the following subsection:

"(4) The new corporation is deemed, for the purposes of section 104.1, to have deducted in computing its income the aggregate of all amounts allowed as deductions under section 156.1 in computing the income of the predecessor corporations."

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

**72.** (1) Section 576.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

**"576.1** For the purposes of this title, any excluded property of a foreign affiliate of a taxpayer means any property used or held by it principally for the purpose of gaining income from a qualified business or any property that is a share of the capital stock of another foreign affiliate of the taxpayer where all or substantially all of the property of the other foreign affiliate is excluded property, or an amount receivable the interest on which is, under a prescribed provision, income from such a qualified business or would be such income if interest were payable on the amount."

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

**73.** (1) Section 600 of the said Act is amended

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

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

“(e.1) the amount by which the aggregate of all amounts determined under sections 222 to 224 in respect of the partnership at the end of a taxation year exceeds the aggregate of all amounts determined under section 225 in respect of the partnership at the end of the year was deducted under the said sections in computing the income of the partnership for the year;”;

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

“(f) subject to section 600.0.1, the income of the partnership, for a taxation year, from any source in Canada or from sources in another place is, to the extent of the taxpayer’s share thereof, his income for his taxation year during which the taxation year of the partnership ends, from such source in Canada or sources situated in such other place, as the case may be; and”;

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

“(g) subject to section 600.0.1, the amount by which the loss of the partnership for a taxation year from any source in Canada or from sources in another place exceeds, in the case of a taxpayer who would be a specified member of the partnership in the year if the definition of “specified member” in section 1 were read without reference to paragraph *b* thereof, the amount deducted by the partnership under sections 222 to 230 in computing its income for the taxation year from that source or those sources, as the case may be, and in any other case, nil, is the loss of the taxpayer from such source in Canada or sources situated in such other place, as the case may be, for the taxation year of the taxpayer in which the partnership’s taxation year ends, to the extent of the taxpayer’s share thereof.”

(2) Paragraphs 1 and 2 of subsection 1 apply to a taxation year of a partnership ending after 15 December 1987. However, they shall not apply in respect of a taxpayer to expenditures made by the partnership either before 16 December 1987, or after 15 December 1987 and before 1 January 1989 pursuant to an obligation in writing entered into by the partnership before 16 December 1987, the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities

legislation of any province, or the terms of an offering memorandum described in paragraph *d* and pursuant to which securities were distributed, where the taxpayer acquired an interest in the partnership

(a) before 16 December 1987;

(b) after 15 December 1987 pursuant to an obligation in writing entered into before 16 December 1987;

(c) after 15 December 1987 and before 1 June 1988 pursuant to the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

(d) after 15 December 1987 and before 1 June 1988 as part of an offering of securities where

i. the offering was made pursuant to the terms of an offering memorandum which contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities;

ii. the offering memorandum was distributed before 16 December 1987;

iii. solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987; and

iv. the sale of the securities was substantially in accordance with the offering memorandum.

(3) Paragraphs 3 and 4 of subsection 1 apply from the taxation year 1988 of a partnership. However, where the said paragraph 4 applies in respect of

(a) an individual who may deduct an amount, in computing his taxable income, under section 726.4.40 of the Taxation Act, paragraph *g* of section 600 of the said Act, enacted by the said paragraph 4, where it refers to an amount deducted by a partnership under sections 222 to 230 of the said Act, does not apply in respect of expenditures made by a partnership either before 13 May 1988, or after 12 May 1988 out of the sums collected no later than that date;

(b) an individual who may deduct an amount, in computing his taxable income, under section 726.4.50 of the Taxation Act, paragraph



*g* of section 600 of the said Act, enacted by the said paragraph 4, where it refers to an amount deducted by a partnership under sections 222 to 230 of the said Act, does not apply in respect of amounts paid by a partnership either before 13 May 1988, or after 12 May 1988 out of sums collected no later than that date;

(*c*) a corporation that is deemed, under section 1029.8.0.2 of the Taxation Act, to have paid an amount to the Minister of Revenue as partial payment of its tax payable, paragraph *g* of section 600 of the said Act, enacted by the said paragraph 4, where it refers to an amount deducted by a partnership under sections 222 to 230 of the said Act, does not apply in respect of wages and remuneration paid either before 13 May 1988, or after 12 May 1988 out of sums collected no later than that date;

(*d*) a corporation that is deemed, under section 1029.8.7.2 of the Taxation Act, to have paid an amount to the Minister of Revenue as partial payment of its tax payable, paragraph *g* of section 600 of the said Act, enacted by the said paragraph 4, where it refers to an amount deducted by a partnership under sections 222 to 230 of the said Act, does not apply to an amount paid either before 13 May 1988, or after 12 May 1988 out of the sums collected no later than that date.

(4) For the purposes of subsection 3, any sum collected after 12 May 1988 is deemed to have been collected no later than that date if it is collected

(*a*) following a distribution pursuant to a final prospectus for which the receipt was granted no later than that date;

(*b*) following a distribution pursuant to a final prospectus for which the receipt was granted after 12 May 1988 but no later than 30 June 1988, if the receipt for the preliminary prospectus which preceded was granted no later than 12 May 1988;

(*c*) following a distribution made before 12 May 1988 under an exemption from filing a prospectus by virtue of section 48 or 51 of the Securities Act (R.S.Q., chapter V-1.1);

(*d*) following a distribution made after 12 May 1988 under an exemption from filing a prospectus by virtue of section 48 of the Securities Act pursuant to an offering memorandum received by the Commission des valeurs mobilières du Québec no later than 12 May 1988;

(*e*) following a distribution made after 12 May 1988 but no later than 30 June 1988 and used to make an expenditure, deductible under

subsection 1 of section 222 of the Taxation Act, pursuant to a written agreement signed no later than 12 May 1988.

(5) For the purposes of subsection 4, any sum collected following a distribution described in paragraph *b* or *d* of the said subsection constitutes a sum so collected up to the amount determined under the preliminary prospectus or the offering memorandum, as the case may be, that is equal to that part of the anticipated proceeds of the distribution which, under the preliminary prospectus or the offering memorandum, as the case may be, was to be used for scientific research and experimental development expenditures within the meaning of subsection 2 of section 222 of the Taxation Act.

**74.** (1) The said Act is amended by inserting, after section 600, the following sections:

**“600.0.1** Except for the purposes of Chapter II.1 of this title, paragraph *i* of section 255 and paragraph *l* of section 257, where the taxpayer referred to in paragraph *f* or *g* of section 600 is an individual, his share of the income or loss of the partnership, for the year contemplated thereby, is the share that would be contemplated thereby if no amount were allowed as a deduction, in computing the income or loss of a partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a certified Québec film, within the meaning of the regulations under section 130.

**“600.0.2** An individual's share of the loss of a partnership, determined pursuant to section 600.0.1 for a fiscal period of the partnership at the end of which the individual was a member of the partnership, in this section referred to as “corrected loss”, shall not however exceed the proportion of the at-risk amount of the individual in respect of the partnership at that date, within the meaning of sections 613.2 to 613.5, that his share of the corrected loss of the partnership which, but for this section, would be so determined under section 600.0.1 is of his share of the corrected loss of the partnership which, but for this section and section 600.0.1, would be determined under paragraph *g* of section 600.”

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

**75.** (1) Section 613.1 of the said Act, enacted by section 40 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

**“613.1** Notwithstanding section 600, where a taxpayer is, at any time in a taxation year, a limited partner of a partnership, the amount, if any, by which the aggregate of all amounts each of which is

his share of the amount of any loss of the partnership for a fiscal period of the partnership ending in the taxation year from a business, other than a farming business, or from property, computed pursuant to section 600, exceeds the amount determined under the second paragraph shall not be deducted in computing his income for the year, shall not be included in computing his non-capital loss for the year, and shall be deemed to be his limited partnership loss in respect of the partnership for the year.”

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

**76.** (1) Section 648 of the said Act is repealed.

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

**77.** (1) Section 665 of the said Act, replaced by section 57 of chapter 18 of the statutes of 1988, is again replaced by the following section:

**“665.** A taxpayer who has included in computing his income for a taxation year, under section 663 or 684, an amount in respect of his income interest in the trust may deduct, for the same year, except to the extent that an amount in respect thereof has been deducted in computing his taxable income pursuant to section 738 or 845, the lesser of such amount and the excess of the cost of his interest over the aggregate of the amounts deductible as such under this section in computing his income for previous taxation years.”

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

**78.** (1) Section 668.3, enacted by section 130 of chapter 67 of the statutes of 1987, is replaced by the following section:

**“668.3** For the purposes of sections 646, 647, 652 to 657.1, 659, 660, 663, 664, 666 to 674, 676, 676.1 and 678 to 682, the net taxable capital gains of a trust for a taxation year is the amount, if any, by which the aggregate of the taxable capital gains of the trust for the year exceeds the aggregate of its allowable capital losses for the year and of its net capital losses deducted under section 729 in computing its taxable income for the year.”

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

**79.** (1) Section 669 of the said Act is repealed.

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

**80.** (1) Section 669.1 of the said Act, replaced by section 58 of chapter 18 of the statutes of 1988, is again replaced by the following section:

**“669.1** The amount that would otherwise be included under section 317 in computing the income of a testamentary trust for a taxation year throughout which it was resident in Canada is deemed, for the purposes of sections 752.0.8 to 752.0.10, where the particular beneficiary was the spouse of the individual upon and in consequence of whose death the trust arose, and paragraph *d* of section 339, to be included under the said section 317 in computing the income for the year of a particular beneficiary of the trust and not to be so included in computing the income of the trust to the extent that the amount may, having regard to all the circumstances including the terms and conditions of the trust arrangement, reasonably be considered to be part of the amount included, under section 663, in computing the income of a particular beneficiary for the taxation year and if the amount has been designated by the trust exclusively to the particular beneficiary in the return of its income for the year.”

(2) This section applies from the taxation year 1988. However, where section 669.1 of the Taxation Act, as enacted by this section, applies to a taxation year of a trust commencing before 1 January 1988, it shall be read without reference to the words “throughout which it was resident in Canada”.

**81.** (1) Section 669.3 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“669.3** For the purposes of sections 646, 647, 652 to 657.1, 659, 660, 663, 664, 666 to 674, 676, 676.1 and 678 to 682, the amount designated by a trust in its fiscal return filed under this Part for a taxation year which does not exceed the amount determined in accordance with section 669.4 is deemed to be payable by the trust to particular beneficiaries of the trust in the year in such proportion as the trust may designate in the fiscal return for each of the particular beneficiaries.”

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

**82.** (1) Section 681 of the said Act is amended by replacing paragraph *d* by the following paragraph:

“(d) subject to sections 693.1 and 752.0.26, that other person were entitled to the deductions to which the individual was entitled under sections 710 to 725.7 and 752.0.1 to 752.0.18 for the period in

computing his taxable income or his tax payable under this Part, as the case may be, for the period.”

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

**83.** (1) Section 693 of the said Act, amended by section 133 of chapter 67 of the statutes of 1987 and by section 41 of chapter 4 of the statutes of 1988, is again amended by replacing the second paragraph by the following paragraph:

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

(2) This section applies, subject to subsections 3 and 4, from the taxation year 1975.

(3) Where the second paragraph of section 693 of the Taxation Act, as enacted by subsection 1, applies to the taxation year 1987, it shall be read as follows:

“However, the taxpayer shall apply the provisions of this book in the following order: sections 726.24, 737.8 and 737.17, Titles II, III, IV, IV.1, V, V.1, VI, VI.1, VI.2, VI.3, VII, VI.5 and VI.6 and sections 726.25, 737.14 to 737.16, 737.21 and 737.4 to 737.6.”

(4) Where the second paragraph of section 693 of the Taxation Act, as enacted by subsection 1, applies to a taxation year ending after 31 December 1974 and before 1 January 1987, it shall be read as it read in the version in force for that year, but with the addition, where an amount may be deducted or included in computing the taxable income of an individual for that year under section 726.25 or 726.24, respectively, of the Taxation Act, of a reference to those two sections, and the order in which the individual shall apply those sections is, in relation to the order otherwise determined under the second paragraph of the said section 693 for that year, as follows:

(a) first, section 726.24;

(b) last, section 726.25.

**84.** (1) Section 693.1 of the said Act, replaced by section 134 of chapter 67 of the statutes of 1987, is again replaced by the following section:

**“693.1** Where a separate fiscal return with respect to an individual is filed under any of sections 429, 681 or 1003 for a particular

period and another fiscal return under this Part with respect to the same individual is filed for a period ending in the calendar year in which the particular period ends, for the purpose of computing the taxable income under this Part of the individual in such fiscal returns, the aggregate of all deductions claimed in all such returns under any of sections 710 to 725.7 shall not exceed the aggregate that could be deducted under such section for the year with respect to the individual if no separate fiscal return were filed under any of sections 429, 681 or 1003.”

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

**85.** (1) Titles I.1 to IV of Book IV of Part I of the said Act, Title IV.1 of the said book, enacted by section 49 of chapter 4 of the statutes of 1988, sections 717 to 724.1 of the said Act, section 724.2 of the said Act, enacted by section 139 of chapter 67 of the statutes of 1987 and Title VI of Book IV of Part I of the said Act are repealed.

(2) This section applies from the taxation year 1988. However, where section 709 of the Taxation Act, as repealed by this section, applies to the taxation year 1987, it shall be read by replacing the period at the end of paragraph *h* by a semicolon, and by adding, after paragraph *h*, the following paragraph:

“(i) an amount received out of or under a prescribed provincial retirement plan.”

**86.** (1) The said Act is amended by inserting, after section 726.4, the following sections:

#### “TITLE VI.3.1

##### “CERTIFIED QUÉBEC FILMS

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

**“726.4.2** An amount deducted by an individual under section 726.4.1 in computing his taxable income for a taxation year is, for the purposes of sections 93 to 104, section 130.1 and the regulations under paragraph *a* of section 130, deemed to have been deducted for that

year in computing his income from a business or property pursuant to paragraph *a* of section 130.

**“726.4.3** An individual who is a member of a partnership at the end of a fiscal period of the partnership may deduct, in computing his taxable income for a taxation year in which the fiscal period ends, an amount not exceeding the aggregate

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

(*b*) of his portion of the aggregate of amounts deducted by a partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing its loss for a fiscal period in respect of a certified Québec film within the meaning of the regulations under section 130, to the extent that such portion of such amounts has either created or increased such portion of the loss, without exceeding the proportion of the at-risk amount of the individual in respect of the partnership at the end of the fiscal period of the partnership, within the meaning of sections 613.2 to 613.5, that such amounts which have either created or increased such portion of the loss are of the aggregate of all amounts which, but for section 600.0.1, would be his portion of the loss of the partnership for that fiscal period as determined under paragraph *g* of section 600.

**“726.4.4** An individual shall deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, the excess amount referred to in the first paragraph of section 130.1, which concerns a prescribed class including a certified Québec film within the meaning of the regulations under section 130, which he would have been bound to deduct in computing his income for the year pursuant to the second paragraph of section 130.1 but for the fourth paragraph of that section.

For the purposes of sections 93 to 104, the excess amount is deemed to have been deducted by the individual under paragraph *a* of section 130 in computing his income for the year from a business or property.

**“726.4.5** An individual may deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, the amount by which the amounts he could have deducted for the year, but for section 157.4.3, in computing his income, pursuant to sections 157.4 to 157.4.2, exceed any amount deducted under this section in computing his taxable income for a previous taxation year.

**“726.4.6** Subject to section 726.4.8, an individual who has acquired as first purchaser a certified Québec film within the meaning of the regulations under section 130, may deduct, in computing his taxable income for a taxation year at the end of which he is the owner of the film and which film he has owned without interruption from the acquisition, an amount not exceeding the amount by which 66⅔% of the aggregate of all amounts deducted by him in computing his taxable income for that year or a previous taxation year, in respect of the film, pursuant to section 726.4.1 or 726.4.4, exceeds any amount deducted under this section, in respect of the film, in computing his taxable income for a previous taxation year.

**“726.4.7** Subject to section 726.4.8, where an individual is a member of a partnership at the end of a particular fiscal period of the partnership in which it acquired, as first purchaser, a certified Québec film within the meaning of the regulations under section 130, he may deduct, in computing his taxable income for a taxation year in which a fiscal period of the partnership ends and at the end of which period he is a member of the partnership and has been such a member, without interruption, from the end of the particular fiscal period, an amount not exceeding the amount by which his portion of 66⅔% of the aggregate of the amounts deducted by the partnership in computing its income for that fiscal period or a previous fiscal period, in respect of the film, pursuant to paragraph *a* of section 130 or the second paragraph of section 130.1, exceeds any amount deducted by the individual under this section or section 726.4.6, in respect of the film, in computing his taxable income for a previous taxation year.

**“726.4.8** Notwithstanding sections 726.4.6 and 726.4.7, no amount may be deducted in computing the taxable income of an individual, for a taxation year, in accordance with those sections in respect of a certified Québec film within the meaning of the regulations under section 130,

(a) if the individual is entitled, for the year, to a deduction in respect of the film under section 726.4.5; or

(b) if the part or the amount of the capital cost of the film deductible for the year, in accordance with the regulations under paragraph *a* of subsection 1 of section 20 of the Income Tax Act



(Statutes of Canada), exceeds 30% of that cost, computed without reference to any additional deduction based on the income from a film and granted in accordance with the latter regulations.

### “TITLE VI.3.2

#### “ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN EXPLORATION EXPENSES INCURRED IN QUÉBEC

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

**“726.4.10** For the purposes of this title, the exploration base relating to certain Québec exploration expenses of an individual, at any time after 31 December 1987, means an amount equal to the amount by which the aggregate of the following amounts exceeds the amount computed under section 726.4.11:

(a)  $33\frac{1}{3}\%$  of the amount by which

i. the aggregate of the expenses, except those described in section 726.4.12, incurred in Québec by the individual after 30 June 1988 and before that time but not after 31 December 1989, and which are Canadian exploration expenses that would be described in paragraph *a* or *c* of section 395 if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec”, or described in paragraph *d* or *e* of the said section 395 if the reference, in those paragraphs, to an “expense described in paragraphs *a* to *c*.1” were replaced by a reference to an “expense that would be described in paragraph *a* or *c*, if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec””, exceeds

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

(b) his “Québec exploration base”, within the meaning assigned to that expression by regulation, at that time.

**“726.4.11** The amount that must be deducted from the aggregate determined under section 726.4.10 at any time referred to therein is equal to the aggregate of

(a) each amount deducted by the individual under section 726.4.9 in computing his taxable income for a taxation year ending before that time and

(b)  $33\frac{1}{3}\%$  of each amount that became receivable by the individual before that time but after 30 June 1988 and in respect of which the consideration given by him was a property other than a property disposed of by the individual to any person with whom he was not dealing at arm's length, a share, depreciable property of a prescribed class or a Canadian resource property, or services, the cost of which may reasonably be regarded as having been an expenditure in respect of which an amount was included, under section 726.4.10, in computing the exploration base relating to certain Québec exploration expenses of the individual or of a person with whom he was not dealing at arm's length.

**“726.4.12** Expenses referred to in subparagraph i of paragraph *a* of section 726.4.10 do not include

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

(b) any amount relating to Canadian exploration expenses that is renounced by a corporation that is not a qualified corporation, effective after 30 June 1988 and not later than 31 December 1989, pursuant to section 359.2 in respect of a share;

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

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

i. to expenses incurred after 30 June 1988 and before the time referred to in section 726.4.10 but not after 31 December 1989, by a partnership that is not a qualified partnership or by a qualified partnership in accordance with an agreement described in that paragraph *e* entered into with a corporation that is not a qualified corporation; or

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

(e) any prescribed expense.

**“726.4.13** Where an expense incurred before a particular time is included in the aggregate determined under subparagraph i of paragraph *a* of section 726.4.10 in respect of an individual and, after that time, a person, including a partnership, becomes entitled to receive assistance, within the meaning of paragraph c.0.1 of section 359, in respect of that expense, the assistance must be included in the aggregate referred to in subparagraph ii of that paragraph *a* in respect of the individual at the time the expense was incurred, to the extent that he has not reduced the expense by virtue of subparagraph *a* of the first paragraph of section 359.2.

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

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

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

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

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

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

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

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

### “TITLE VI.3.3

#### “RESEARCH AND DEVELOPMENT SHARE

#### “CHAPTER I

#### “DEFINITIONS AND INTERPRETATION

**“726.4.18** In this title,

(*a*) “assets” means the assets of a corporation as determined under Title VI.1 of Book VII;

(*b*) “qualifying share” means a share that is either

i. a share that would be described in paragraph *b* of section 965.1 if no reference were made, in that paragraph *b*, to section 965.9.1.1, and if the requirement of paragraph *e* of section 965.7, to which that paragraph *b* refers, were read by replacing the words “an individual, an investment group or an investment fund” by the words “a person”; or

ii. a share issued by an issuer referred to in subparagraph ii of paragraph *e*;

(*c*) “research and development share” means a share that is either

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

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

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

(*d*) “designated corporation” means a corporation that carries on a business in Canada and that is either

i. a subsidiary controlled by an issuer, where the issuer is a corporation referred to in section 965.11.5, 965.16, 965.16.0.1 or 965.16.0.2;

ii. a corporation described in paragraph *d* of section 965.11.1, where the issuer is a corporation referred to in that section or in section 965.11.6; or

iii. a corporation referred to in section 12 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), where the issuer is a company referred to in section 4, 4.1, 4.2 or 4.3 of the said Act;

(e) “issuer”, in relation to a share issue, means a corporation that is either

i. on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the share issue, a corporation whose assets are under \$250 000 000 and that would be a qualified corporation within the meaning of paragraph *d* of section 965.1, if that paragraph were read without the references to sections 965.11.7.1 and 965.12; or

ii. a company referred to in section 4, 4.1, 4.2 or 4.3 of the Act respecting Québec business investment companies at the time a share of the share issue is subscribed, or that will be referred to therein at the time the company makes a qualified investment out of the proceeds of the share issue;

(f) “public share issue” means the distribution of a share carried out in accordance with a receipt from the Commission des valeurs mobilières du Québec or an exemption from filing a prospectus provided for in section 52 or 263 of the Securities Act (R.S.Q., chapter V-1.1);

(g) “investment fund” means an investment fund within the meaning of paragraph *h.0.2* of section 965.1;

(h) “qualified investment” means a qualified investment within the meaning of paragraph *d* of section 965.29;

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

(j) “valid qualifying security” means a valid qualifying security within the meaning of paragraph *j.3* of section 965.1.

In this title,

(a) any reference to a person to whom a research and development share is issued, or to a person who has given consideration to an issuer for the issue of such a share, shall be interpreted as a reference to the first purchaser of the share, other than a dealer within the meaning of paragraph *f* of section 965.1 acting as an intermediary or as firm underwriter;

(b) any reference to consideration received or given for a share shall be interpreted as a reference to the cost of the share for the person to whom it is issued, determined without taking into account

the borrowing costs, custody fees or other similar costs related to the share;

(c) any person referred to first in paragraph *a* is deemed to have acquired the share referred to therein as first purchaser when he has acquired it from a dealer, within the meaning of paragraph *f* of section 965.1, who had directly acquired it at the time of an outright subscription for shares;

(d) any person referred to secondly in paragraph *a* is deemed to have given consideration to an issuer for the issue of the share referred to therein when he gave consideration for such a share to a dealer, within the meaning of paragraph *f* of section 965.1, who had directly given consideration for the issue of the share at the time of an outright subscription for shares.

**“726.4.19** For the purposes of subparagraph i of subparagraph *c* of the first paragraph of section 726.4.18, where a designated corporation undertakes to meet the requirements referred to therein, an agreement to that effect shall be entered into between the issuer referred to therein and the designated corporation, and the agreement shall be described in the final prospectus or the application for exemption from filing a prospectus.

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

## “CHAPTER II

### “RENUNCIATION

**“726.4.21** Where a person has given consideration to an issuer for the issue of a research and development share of the issuer and, during the period referred to in subparagraph i of subparagraph *c* of the first paragraph of section 726.4.18, the issuer has made expenditures in respect of scientific research and experimental development, the issuer may, in accordance with section 726.4.27, renounce, in respect of the share, that part represented by the proportion determined in section 726.4.30 of an amount equal to the amount by which all or part of the amount he is deemed to have paid, under section 1029.7, in respect of such expenditures made by him

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

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

(a) the amount by which the consideration received for the share by the issuer exceeds the aggregate of the expenditures in respect of which he has renounced an amount, in respect of the share, under this section or section 726.4.23 or 726.4.25, on or before the day on which the renunciation is made; and

(b) the amount by which 200% of the consideration received for the share by the issuer exceeds the adjusted cost of the share, within the meaning of paragraph *g* of section 965.1.

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

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

(a) the proportion of the amount by which the consideration received for the share by the issuer exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.24 or 726.4.26 on or before the day on which the renunciation is made, that the part of the consideration received for



the share by the issuer, which has been used by the designated corporation for expenditures referred to in the first paragraph, is of the part of the consideration received for the share by the issuer which has been used for such expenditures by all the designated corporations that are parties to the agreement referred to in section 726.4.19 or in subparagraph ii of subparagraph *c* of the first paragraph of section 726.4.18, as the case may be; and

(*b*) the proportion determined in the third paragraph of the amount by which

i. 200 % of the consideration received for the share by the issuer exceeds

ii. the adjusted cost of the share, within the meaning of paragraph *g* of section 965.1, in the case of a qualifying share referred to in subparagraph i of subparagraph *b* of the first paragraph of section 726.4.18, or 125 % of the consideration received for the share by the issuer in the case of a share issued by a company referred to in section 4.1 or 4.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), or 150 % of the consideration in the case of a share issued by a company referred to in section 4.3 of the said Act.

The proportion referred to in subparagraph *b* of the second paragraph is the proportion between the part of the consideration received for the share by the issuer which has been used by the designated corporation for expenditures referred to in the first paragraph, and the part of the consideration received for the share by the issuer which has been used for such expenditures by all the designated corporations that are parties to the agreement referred to in section 726.4.19 or in subparagraph ii of subparagraph *c* of the first paragraph of section 726.4.18, as the case may be.

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

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

(a) the amount by which the consideration received for the share by the issuer exceeds the aggregate of the expenditures in respect of which he has renounced an amount, in respect of the share, under this section or section 726.4.21 or 726.4.25, on or before the day on which the renunciation is made; and

(b) the amount by which 200 % of the consideration received for the share by the issuer exceeds the adjusted cost of the share, within the meaning of paragraph *g* of section 965.1.

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

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

(a) the proportion of the amount by which the consideration received for the share by the issuer exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22 or 726.4.26 on or before the day on which the renunciation is made, that the part of the consideration received for the share by the issuer, which has been used by the designated corporation for expenditures referred to in the first paragraph, is of the part of the consideration received for the share by the issuer which has been used for such expenditures by all the designated corporations that are parties to the agreement referred to in section 726.4.19 or in

subparagraph ii of subparagraph c of the first paragraph of section 726.4.18, as the case may be; and

(b) the proportion determined in the third paragraph of the amount by which

i. 200 % of the consideration received for the share by the issuer exceeds

ii. the adjusted cost of the share, within the meaning of paragraph g of section 965.1, in the case of a qualifying share referred to in subparagraph i of subparagraph b of the first paragraph of section 726.4.18, or 125 % of the consideration received for the share by the issuer in the case of a share issued by a company referred to in section 4.1 or 4.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), or 150 % of the consideration in the case of a share issued by a company referred to in section 4.3 of the said Act.

The proportion referred to in subparagraph b of the second paragraph is the proportion between the part of the consideration received for the share by the issuer which has been used by the designated corporation for expenditures referred to in the first paragraph, and the part of the consideration received for the share by the issuer which has been used for such expenditures by all the designated corporations that are parties to the agreement referred to in section 726.4.19 or in subparagraph ii of subparagraph c of the first paragraph of section 726.4.18, as the case may be.

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

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

(a) the amount by which the consideration received for the share by the issuer exceeds the aggregate of the expenditures in respect of which he has renounced an amount, in respect of the share, under this section or section 726.4.21 or 726.4.23, on or before the day on which the renunciation is made; and

(b) the amount by which 200 % of the consideration received for the share by the issuer exceeds the adjusted cost of the share, within the meaning of paragraph *g* of section 965.1.

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

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

(a) the proportion of the amount by which the consideration received for the share by the issuer exceeds the aggregate of the expenditures in respect of which the designated corporation has renounced an amount, in respect of the share, under this section or section 726.4.22 or 726.4.24 on or before the day on which the renunciation is made, that the part of the consideration received for the share by the issuer, which has been used by the designated corporation for expenditures referred to in the first paragraph, is of the part of the consideration received for the share by the issuer which has been used for such expenditures by all the designated corporations that are parties to the agreement referred to in section 726.4.19 or in subparagraph ii of subparagraph *c* of the first paragraph of section 726.4.18, as the case may be; and

(b) the proportion determined in the third paragraph of the amount by which

i. 200 % of the consideration received for the share by the issuer exceeds

ii. the adjusted cost of the share, within the meaning of paragraph *g* of section 965.1, in the case of a qualifying share referred to in subparagraph *i* of subparagraph *b* of the first paragraph of section 726.4.18, or 125 % of the consideration received for the share by the issuer in the case of a share issued by a company referred to in section 4.1 or 4.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), or 150 % of the consideration in the case of a share issued by a company referred to in section 4.3 of the said Act.

The proportion referred to in subparagraph *b* of the second paragraph is the proportion between the part of the consideration received for the share by the issuer which has been used by the designated corporation for expenditures referred to in the first paragraph, and the part of the consideration received for the share by the issuer which has been used for such expenditures by all the designated corporations that are parties to the agreement referred to in section 726.4.19 or in subparagraph *ii* of subparagraph *c* of the first paragraph of section 726.4.18, as the case may be.

**“726.4.27** Any renunciation made by a corporation, under sections 726.4.21 to 726.4.26, of an amount it is deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 as partial payment of its tax payable under this Part for a taxation year in respect of expenditures made in that taxation year and during the period referred to in subparagraph *i* or *ii*, as the case may be, of subparagraph *c* of the first paragraph of section 726.4.18, is valid,

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

(b) where the end of the taxation year of the corporation does not coincide with the end of the calendar year,

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

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

**“726.4.28** For the purposes of this title, any renunciation that is made within 30 days following the end of a taxation year or a calendar year is deemed, except for the purposes of section 726.4.34, to be made at the end of such taxation year or calendar year, as the case may be.

**“726.4.29** Where a corporation renounces, under sections 726.4.21 to 726.4.26, in accordance with section 726.4.27, an amount in respect of a particular share, the following rules apply:

(a) the corporation shall renounce, in accordance with section 726.4.27, in respect of each other share issued as part of the same share issue as the particular share, an amount equal to the amount it has so renounced in respect of the particular share;

(b) except for the purposes of the renunciation, the amount deemed paid to which the renounced amount relates is deemed to have never been an amount deemed paid by the corporation;

(c) where the corporation has reduced, in accordance with the second paragraph of section 1029.7, 1029.8.6 or 1029.8.10, a monthly

payment it was bound to make under section 1027, for a taxation year, the amount, called “the reduction” in this paragraph, which has thus reduced the monthly payment is deemed, for the purposes of computing the interest payable pursuant to sections 1037 to 1040, not to have so reduced it but to have reduced each of the monthly payments the corporation was bound to make for the taxation year, by an amount equal to the proportion of the reduction that unity is of the number of payments the corporation was bound to make under section 1027 for the taxation year.

**“726.4.30** The proportion referred to in the first paragraph of each of sections 726.4.21 to 726.4.26 is, with reference to an issue of research and development shares, the proportion that the consideration received by the issuer for a single share included in the issue is of the total consideration received for all the shares included in the issue.

### “CHAPTER III

#### “DEDUCTION

**“726.4.31** An individual, other than a trust, may deduct, in computing his taxable income for a taxation year, an amount not exceeding his research and development base at the end of the year, computed before any deduction for the year under this section.

**“726.4.32** For the purposes of section 726.4.31, the research and development base of an individual, other than a trust, at any time, means an amount equal to the amount by which the aggregate of the following amounts exceeds the aggregate of the amounts he has deducted under section 726.4.31 in computing his taxable income for a taxation year ending before that time:

(a) 50 % of the expenditures, other than the expenditures referred to in paragraph *g*, in respect of which a corporation renounced on or before that time, under section 726.4.21 or 726.4.22, in accordance with section 726.4.27, an amount in respect of a research and development share issued to the individual;

(b) his share of an amount equal to 50 % of the expenditures, other than the expenditures referred to in paragraph *h*, in respect of which a corporation renounced, on or before that time, under section 726.4.21 or 726.4.22, in accordance with section 726.4.27, an amount, during a year, in respect of a research and development share issued to an investment fund, if the individual is the owner, at the end of the year, of a valid qualifying security which has been issued by the investment fund;

(c) 100% of the expenditures in respect of which a corporation renounced on or before that time under section 726.4.23 or 726.4.24, in accordance with section 726.4.27, an amount in respect of a research and development share issued to the individual;

(d) his share of an amount equal to 100% of the expenditures in respect of which a corporation renounced, on or before that time, under section 726.4.23 or 726.4.24, in accordance with section 726.4.27, an amount, during a year, in respect of a research and development share issued to an investment fund, if the individual is the owner, at the end of the year, of a valid qualifying security which has been issued by the investment fund;

(e) 100% of the expenditures in respect of which a corporation renounced on or before that time under section 726.4.25 or 726.4.26, in accordance with section 726.4.27, an amount in respect of a research and development share issued to the individual;

(f) his share of an amount equal to 100% of the expenditures in respect of which a corporation renounced, on or before that time, under section 726.4.25 or 726.4.26, in accordance with section 726.4.27, an amount, during a year, in respect of a research and development share issued to an investment fund, if the individual is the owner, at the end of the year, of a valid qualifying security which has been issued by the investment fund;

(g) 100% of the expenditures in respect of which a corporation renounced on or before that time under section 726.4.21 or 726.4.22, in accordance with section 726.4.27, an amount in respect of a research and development share issued to the individual, to the extent that the expenditures are expenditures in respect of which the corporation would have been deemed, without the renunciation, to have paid an amount under section 1029.7 pursuant to section 1029.7.2;

(h) his share of an amount equal to 100% of the expenditures in respect of which a corporation renounced, on or before that time, under section 726.4.21 or 726.4.22, in accordance with section 726.4.27, an amount, during a year, in respect of a research and development share issued to an investment fund, if the individual is the owner, at the end of the year, of a valid qualifying security which has been issued by the investment fund, to the extent that the expenditures are expenditures in respect of which the corporation would have been deemed, without the renunciation, to have paid an amount under section 1029.7 pursuant to section 1029.7.2.

**“726.4.33** In no case may an individual, other than a trust, may include, in computing his research and development base, an amount



in respect of a research and development share issued to him or his portion of an amount in respect of such a share issued to an investment fund unless

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

(b) a certificate issued by an independent auditor attests that, where a corporation has renounced an amount in respect of the share under sections 726.4.21 to 726.4.26, the expenditures in respect of scientific research and experimental development referred to in those sections have been made; and

(c) the certificate referred to in paragraph *b* has been filed with the Minister by the corporation on or before the day on or before which it must file the form referred to in section 726.4.34.

## “CHAPTER IV

### “ADMINISTRATION

**“726.4.34** Where a corporation renounces an amount under sections 726.4.21 to 726.4.26, it shall file with the Minister a prescribed form in respect of the renunciation on or before the fifteenth day of the month following that in which the renunciation is made.

Where the corporation referred to in the first paragraph is a corporation referred to in subparagraph iii of subparagraph *d* of the first paragraph of section 726.4.18, it shall also send the prescribed form referred to in the first paragraph, within the time prescribed therein, to the Société de développement industriel du Québec.

**“726.4.35** Where a corporation has renounced under sections 726.4.21 to 726.4.26, in accordance with section 726.4.27, during a year, an amount in respect of a research and development share issued to an investment fund, the fund must, on or before the last day of the second month following the end of the year, file with the Minister an information return, in prescribed form, indicating the portion of the

expenditures, in respect of which the corporation renounced that amount, which the fund has allotted to each of the individuals who were owners, at the end of the year, of a valid qualifying security issued by the fund.

**“726.4.36** Where a corporation has renounced, in respect of a share, any amount under sections 726.4.21 to 726.4.26, sections 38 to 40.1 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with such modifications as the circumstances require and without restricting their generality, for the purpose of permitting the Minister to verify or ascertain

(a) expenditures for scientific research and experimental development in respect of which the corporation has renounced that amount;

(b) the amounts renounced by the corporation in respect of those expenditures, and

(c) any information relating to expenditures in respect of which the corporation has renounced an amount or to the amounts renounced by the corporation.

The first paragraph applies notwithstanding that a fiscal return has not been filed by a person under section 1 000 for the taxation year of the person in which the corporation has so renounced an amount in respect of the share issued to it.

**“726.4.37** Where the aggregate of all amounts that a corporation purported to renounce, in respect of one or several shares issued to persons under one of sections 726.4.21 to 726.4.26 in respect of expenses incurred by it in any period ending on the date on which renunciation is made exceeds the aggregate of all amounts it may renounce under that section in respect of such shares, in accordance with section 726.4.27, the corporation shall

(a) reduce the amounts so renounced in respect of one or several of those shares to effect a reduction in the aggregate of the amounts so purported to be renounced by the amount of the excess; and

(b) file a statement with the Minister indicating the adjustments made in the amounts so renounced.

Where, in the case described in the first paragraph, the corporation fails to comply with subparagraphs *a* and *b* of that paragraph within 30 days after notice in writing by the Minister has been forwarded to the corporation that a reduction as provided in the said subparagraph *a* is or will be required for the purposes of any

assessment of tax under this Part, the Minister may, for the purposes of this title, reduce the amounts purported to be renounced by the corporation in respect of one or several of the shares referred to in the first paragraph to effect a reduction in the aggregate of the amounts so purported to be renounced by the corporation by the amount of the excess referred to in that paragraph.

In either such case, notwithstanding section 726.4.29, the amount renounced by the corporation in respect of each of the shares is deemed to be the amount as reduced by the corporation or the Minister, as the case may be.

#### “TITLE VI.3.4

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

#### “CHAPTER I

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

**“726.4.38** An individual may deduct, in computing his taxable income for his taxation year 1988, an amount not exceeding the amount by which

(a) 33  $\frac{1}{3}$  % of the expenditures deductible under subsection 1 of section 222 or paragraph *a* of section 223 made by him in Québec, in carrying on a business in Canada, after 30 April 1987 and before 1 January 1989 as part of a scientific research and experimental development project in which he was involved on or before 12 May 1988 for scientific research and experimental development within the meaning of the regulations under section 222, undertaken in Québec by or on behalf of the individual, except expenditures referred to in paragraph *e* of subsection 1 of section 222 which, but for subsection 3 of section 175.1, would not be deductible in computing the income of the individual for the year and expenditures deductible under section 726.4.48, exceeds

(b) the aggregate of all amounts deducted by him under section 358.1, in respect of those expenditures, in computing his income for his taxation year 1987.

For the purpose of determining if the individual was involved in a scientific research and experimental development project on or before 12 May 1988, only such a plan is to be considered in respect of which at least a part of the aggregate of the expenditures for scientific research

and experimental development relating thereto were made throughout a period which precedes or includes that date.

**“726.4.39** An individual may also deduct in computing his taxable income for his taxation year 1988 an amount not exceeding the amount by which

(a) 33  $\frac{1}{3}$ % of his portion of the expenditures deductible under subsection 1 of section 222 or paragraph *a* of section 223 made by a partnership in Québec, in carrying on a business in Canada, after 30 April 1987 as part of a scientific research and experimental development project, within the meaning of the regulations under section 222, in which the partnership was involved on or before 12 May 1988, in a fiscal period of the partnership which ended on or before 31 December 1988 if the individual was a member of the partnership at the end of that fiscal period and was not a specified member or a limited partner within the meaning of section 613.6, of the partnership during that fiscal period, for that scientific research and experimental development undertaken in Québec by or on behalf of the partnership, except expenditures referred to in paragraph *e* of subsection 1 of section 222 which, but for subsection 3 of section 175.1, would not be deductible in computing the partnership income for that fiscal period and expenditures deductible under section 726.4.49, exceeds

(b) the aggregate of all amounts deducted by him under section 358.2, in respect of those expenditures, in computing his income for his taxation year 1987.

For the purpose of determining if the partnership referred to in subparagraph *a* of the first paragraph was involved in a scientific research and experimental development project on or before 12 May 1988, only such a project is to be considered in respect of which at least a part of the aggregate of expenditures for scientific research and experimental development relating thereto were made throughout a period which precedes or includes that date.

**“726.4.40** An individual may deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, an amount not exceeding the amount by which

(a) 33  $\frac{1}{3}$ % of his portion of the expenditures deductible under subsection 1 of section 222 or paragraph *a* of section 223 made by a partnership in Québec, in carrying on a business in Canada, after 30 April 1987 and either before 13 May 1988 or after 12 May 1988 out of the amounts collected on or before that date in a fiscal period of the partnership which ended in the year or in a previous year if he was a member of the partnership at the end of that fiscal period and was a

specified member or a limited partner, within the meaning of section 613.6, of the partnership during that fiscal period, for scientific research and experimental development, within the meaning of the regulations under section 222, undertaken in Québec by or on behalf of the partnership in that fiscal period, except expenditures referred to in paragraph *e* of subsection 1 of section 222 which, but for subsection 3 of section 175.1, would not be deductible in computing the partnership income for that fiscal period and expenditures deductible under section 726.4.50, exceeds

(b) the aggregate of all amounts deducted by him in respect of those expenditures under this section in computing his taxable income for a previous taxation year and under section 358.2 in computing his income for his taxation year 1987.

Notwithstanding the foregoing, subject to section 726.4.51, the individual's share of the expenditures contemplated in the first paragraph made by the partnership in the fiscal period referred to therein must not exceed the amount by which the at-risk amount of his interest determined in respect of the partnership pursuant to sections 613.2 to 613.5 at the end of the fiscal period exceeds the amount used as the basis for computing, in respect of that fiscal period, the amount he may deduct under section 726.4.50.

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

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

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

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

For the purposes of subparagraph *a* of the first paragraph, any amount collected after 12 May 1988 is deemed to have been collected on or before that date if it was collected

(*a*) through a distribution made in accordance with a final prospectus for which the receipt was granted on or before that date;

(*b*) through a distribution made in accordance with a final prospectus for which the receipt was granted after 12 May 1988 but not later than 30 June 1988, if the receipt for the preliminary prospectus which preceded the distribution was granted on or before 12 May 1988;

(*c*) through a distribution made before 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 or 51 of the Securities Act (R.S.Q., chapter V-1.1);

(*d*) through a distribution made after 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 of the Securities Act in accordance with an offering memorandum received by the Commission des valeurs mobilières du Québec on or before 12 May 1988;

(*e*) through a distribution made after 12 May 1988 but not later than 30 June 1988 and used for the purpose of making an expenditure, which is deductible under subsection 1 of section 222 or paragraph *a* of section 223, pursuant to an agreement in writing entered into on or before 12 May 1988.

For the purposes of the fourth paragraph, an amount collected through a distribution made under subparagraph *b* or *d* of that paragraph is such an amount up to the amount determined under the preliminary prospectus or the offering memorandum, as the case may be, equal to that part of the anticipated proceeds of the distribution provided for in the preliminary prospectus or the offering memorandum, as the case may be, which was to be used for expenditures for scientific research and experimental development, within the meaning of the regulations under section 222.

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

**“726.4.42** For the purposes of this chapter, the expenditures for scientific research and experimental development made by an individual or a partnership in a taxation year or during a fiscal period, as the case may be, include the aggregate of the amounts that are expenditures made by the individual or the partnership, as the case may be, in the taxation year or during the fiscal period, as repayment of an amount referred to in paragraph *b* of section 225.

## “CHAPTER II

### “ADDITIONAL DEDUCTION FOR UNIVERSITY RESEARCH

#### “DIVISION I

##### “INTERPRETATION

**“726.4.43** In this chapter,

(a) “university research contract” means a contract that a partnership, carrying on a business in Canada or a prescribed linkage agency commissioned by such a partnership enters into between 30 April 1987 and 1 January 1991 with an eligible university entity, whereunder the latter binds itself to make in Québec, before 1 January 1993, on behalf of the partnership, expenditures in respect of scientific research and experimental development directly undertaken by the entity, related to a business of the partnership or of the other partnership or the taxpayer contemplated in the third paragraph of section 726.4.50 to which the partnership is related, where the latter are entitled to exploit the results thereof;

(b) “eligible university entity” means a Québec university or any other prescribed body;

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

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

#### “DIVISION II

##### “GENERAL

**“726.4.44** For the purposes of section 726.4.43, where a research contract was entered into before 1 May 1987 with an entity

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

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

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

**“726.4.45** For the purposes of this chapter, expenditures for scientific research and experimental development

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

(b) include only, subject to paragraph c, the following expenditures made before 1 January 1993:

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

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

(c) do not include any expenditure referred to in any of subparagraphs a to d of the first paragraph of section 230.0.0.2.

**“726.4.46** For the purposes of this chapter, expenditures of a capital nature made by an eligible university entity in a taxation year of an individual or during a fiscal period of a partnership include only expenditures made to acquire, in the year or during the fiscal period, property other than land or a leasehold interest in respect of land



intended to be used in Québec within a reasonable time after it is acquired.

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

### “DIVISION III

#### “ALLOWANCES

**“726.4.48** An individual other than a tax-exempt individual may deduct, in computing his taxable income for his taxation year 1988, an amount not exceeding the amount by which

(a) 66  $\frac{2}{3}$  % of the whole or that part of the amount which he paid, in carrying on a business in Canada, after 30 April 1987 and before 1 January 1989 as part of a scientific research and experimental development project in which he was involved on or before 12 May 1988, to an eligible university entity under a university research contract and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph a of section 223, for such scientific research and experimental development which the eligible university entity made in Québec under the university research contract, exceeds

(b) the aggregate of all amounts deducted by him under section 358.10 in computing his income for his taxation year 1987.

For the purpose of determining if the individual was involved in a scientific research and experimental development project on or before 12 May 1988, only such a project is to be considered in respect of which a university research contract for scientific research and experimental development was entered into on or before 12 May 1988.

**“726.4.49** An individual other than a tax-exempt individual may also deduct, in computing his taxable income for his taxation year 1988, an amount not exceeding the amount by which

(a) 66  $\frac{2}{3}$  % of his portion of the whole or that part of the amount which the partnership paid, in carrying on a business in Canada, after 30 April 1987 as part of a scientific research and experimental development project in which the partnership was involved on or before 12 May 1988, during a fiscal period of the partnership which ended on or before 31 December 1988 if he was a member of the partnership at the end of that fiscal period and was not a specified

member or a limited partner, within the meaning of section 613.6, of the partnership during that fiscal period, to an eligible university entity under a university research contract and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, for scientific research and experimental development which the eligible university entity made in Québec under the university research contract, exceeds

(b) the aggregate of all amounts deducted by him under section 358.11 in computing his income for his taxation year 1987.

For the purpose of determining if the partnership referred to in subparagraph *a* of the first paragraph was involved in a scientific research and experimental development project on or before 12 May 1988, only such a project is to be considered in respect of which a university research contract for scientific research and experimental development was entered into on or before 12 May 1988.

**“726.4.50** An individual other than a tax-exempt individual may deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, an amount not exceeding the amount by which

(a)  $66\frac{2}{3}\%$  of his share in the whole or the part of an amount which the partnership paid, in carrying on a business in Canada, after 30 April 1987 and either before 13 May 1988 or after 12 May 1988 out of the amounts collected on or before that date, during a fiscal period of the partnership which ended in the year or in a previous year if he was a member of the partnership at the end of that fiscal period and was a specified member or a limited partner, within the meaning of section 613.6, of the partnership during that fiscal period, to an eligible university entity under a university research contract and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223 for such scientific research and experimental development made in Québec by the eligible university entity under a university research contract, exceeds

(b) the aggregate of all amounts deducted by him in respect of those amounts under this section in computing his taxable income for a previous taxation year and under section 358.11 in computing his income for his taxation year 1987.

Notwithstanding the foregoing and subject to section 726.4.51, the individual's share in the whole or part of an amount referred to in

the first paragraph which the partnership paid during a fiscal period referred to therein must not exceed his at-risk amount in respect of the partnership interest determined under sections 613.2 to 613.5 at the end of the fiscal period.

For the purposes of this section and of the definition of the expression “university research contract”, where an amount paid by a partnership to an eligible university entity under a university research contract is not contemplated in the first paragraph for the sole reason that the scientific research and experimental development in respect of which the amount is paid are not related to a business of the partnership, the amount paid by the partnership is deemed to be an amount contemplated by such paragraph where

(a) the partnership is, throughout the period in which the expenditures for the scientific research and experimental development are undertaken, related to another partnership no member of which is a tax exempt corporation within the meaning of paragraph *d* of section 1029.8.1 or a tax-exempt individual, or with a taxpayer other than a tax exempt corporation within the meaning of that paragraph *d*, or a tax-exempt individual, that carries on a business in Canada;

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

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

For the purposes of subparagraph *a* of the first paragraph, any amount collected after 12 May 1988 is deemed to have been collected on or before that date if it was collected

(a) through a distribution made in accordance with a final prospectus for which the receipt was granted on or before that date;

(b) through a distribution made in accordance with a final prospectus for which the receipt was granted after 12 May 1988 but not later than 30 June 1988, if the receipt for the preliminary prospectus which preceded the distribution was granted on or before 12 May 1988;

(c) through a distribution made before 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 or 51 of the Securities Act (R.S.Q., chapter V-1.1);

(d) through a distribution made after 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 of the Securities Act in accordance with an offering memorandum received by the Commission des valeurs mobilières du Québec on or before 12 May 1988;

(e) through a distribution made after 12 May 1988 but not later than 30 June 1988 and used for the purpose of making an expenditure, which is deductible under subsection 1 of section 222 or paragraph *a* of section 223, pursuant to an agreement in writing entered into on or before 12 May 1988.

For the purposes of the fourth paragraph, an amount collected through a distribution made under subparagraph *b* or *d* of that paragraph is such an amount up to the amount determined under the preliminary prospectus or the offering memorandum, as the case may be, equal to that part of the advance proceeds of the distribution provided for in the preliminary prospectus or the offering memorandum, as the case may be, which was to be used for expenditures for scientific research and experimental development, within the meaning of the regulations under section 222.

**“726.4.51** An individual who would be contemplated in section 726.4.40 or 726.4.50 if those sections were read without reference to the words “a specified member or” shall not deduct any amount in respect of expenditures of a partnership contemplated in one or the other of such sections, unless a favourable advance ruling has been given by the Ministère du Revenu regarding the proposed financing for those expenditures either before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, as the case may be, relating to the acquisition of his interest in the partnership, or before the date of subscription for such interest in other cases.

**“726.4.52** No individual may deduct in computing his taxable income an amount or his share of an amount referred to in section 726.4.48, 726.4.49 or 726.4.50 relating to a university research contract entered into after 18 December 1987 unless a favourable advance ruling has been given by the Ministère du Revenu regarding the university research contract to which the amount or the share of an amount, as the case may be, relates, before an amount is paid, under the contract, to an eligible university entity.

Where a university research contract is entered into by a prescribed linkage agency, the favourable advance ruling referred to in the first paragraph must be obtained by that agency.

In addition, where an amount or a share of an amount relates to more than one university research contract, the favourable advance ruling referred to in the first paragraph must be given with regard to each university research contract to which the amount or the share of an amount, as the case may be, relates.

Finally, where an amount was paid, pursuant to a university research contract, to an eligible university entity before the contract was the subject of a favourable advance ruling given by the Ministère du Revenu, the amount so paid is deemed, solely for the purposes of the first paragraph, to have been paid after a favourable advance ruling was given by the Ministère du Revenu with regard to the contract, where

(a) an application for an advance ruling with regard to the contract was filed with the Ministère du Revenu within 90 days after the contract was entered into;

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

(2) This section, where it enacts sections 726.4.1 to 726.4.17 of the Taxation Act, applies from the taxation year 1988.

(3) This section, where it enacts sections 726.4.18 to 726.4.37 of the Taxation Act, has effect from 13 May 1988.

(4) This section, where it enacts sections 726.4.38 to 726.4.52 of the Taxation Act, applies, subject to subsections 5 to 13 of this section, from the taxation year 1988.

(5) Where sections 726.4.40 and 726.4.50 of the Taxation Act, as enacted by this section, apply in respect of an expenditure made before 16 December 1987 or an expenditure referred to in subsection 6, the words “are not related to a business” and “are related to a business” must be replaced, wherever they appear, by the words “are not related to the business or the class of business” and “are related to the business or the class of business”, respectively.

(6) Any expenditure to which subsections 5 and 11 refer is an expenditure made after 15 December 1987 and before 1 January 1989,

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987,

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16

December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province in Canada, or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, and was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum,

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49, as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by that entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(7) For the purposes of paragraph *a* of subsection 6, where the expenditure is made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49, the scientific research and experimental development to be undertaken in accordance with the payment must be carried on before 1 January 1989.

(8) Where sections 726.4.41 and 726.4.46 of the Taxation Act, as enacted by this section, apply in respect of an expenditure made before 16 December 1987 or in respect of an expenditure made after 15 December 1987 and before 1 January 1989 pursuant to an obligation entered into in writing before 16 December 1987 or to the terms of a final prospectus, a preliminary prospectus, a registration statement or an offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province in Canada, or the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities and was distributed before 16 December 1987, solicitations

in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987 and the sale of the securities was substantially in accordance with the offering memorandum, the said sections 726.4.41 and 726.4.46 shall be read as follows:

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

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

(9) Where section 726.4.42 of the Taxation Act, as enacted by this section, applies in respect of an expenditure made before 1 May 1988, the said section 726.4.42 shall be read as follows:

**“726.4.42** For the purposes of this chapter, the expenditures for scientific research and experimental development made by an individual or a partnership in a taxation year or during a fiscal period, as the case may be, include, to the extent prescribed by the regulations made under section 224, an amount not exceeding the expenditures made by the individual or the partnership, as the case may be, in the taxation year or during the fiscal period, as repayment of the amounts paid to him or it in respect of expenditures for scientific research and experimental development made in Québec after 30 April 1987 for the purpose of advancing or sustaining the technological capability of a Canadian industry.”

(10) Subject to subsection 11, where section 726.4.43 of the Taxation Act, as enacted by this section, applies in respect of a university research contract entered into before 13 May 1988, that section 726.4.43 shall be read as follows:

**“726.4.43** In this chapter,

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

(b) “university research contract” means a contract that an individual or a partnership, carrying on a business in Canada, enters

into between 30 April 1987 and 13 May 1988 with an eligible university entity, whereunder the latter binds itself to make in Québec, before 1 January 1993, on behalf of the individual or the partnership, expenditures in respect of scientific research and experimental development directly undertaken by the entity, related to a business of the individual or partnership or of the other partnership or the taxpayer contemplated in the third paragraph of section 726.4.50 to whom or which the partnership is related, where the latter are entitled to exploit the results thereof;

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

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

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

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

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

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

i. university researchers, or

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

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

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

(11) Where paragraph *b* of section 726.4.43, as enacted by this section and as it must be read under subsection 10, applies in respect of



an expenditure made before 16 December 1987 or in respect of an expenditure referred to in subsection 6, it shall be read by replacing the words “related to a business”, wherever they appear, by the words “related to the business or the class of business”.

(12) Where section 726.4.47 of the Taxation Act, as enacted by this section, applies before 16 December 1987, that section 726.4.47 shall be read as follows:

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

(13) This section, where it enacts section 726.4.52 of the Taxation Act, applies in respect of an amount or a share of an amount which an individual may deduct under section 726.4.48, 726.4.49 or 726.4.50 of the said Act, where the amount or the share of an amount, as the case may be, is related to a university research contract entered into after 18 December 1987. However, where that section 726.4.52 applies in respect of such an amount or of such a share of an amount that is related to a university research contract entered into

(a) after 18 December 1987 and before 12 May 1988,

i. the second paragraph thereof does not apply, and

ii. the fourth paragraph thereof shall be read as follows:

“Finally, where an amount was paid, pursuant to a university research contract, to an eligible university entity before the contract was the subject of a favourable advance ruling given by the Ministère du Revenu, the amount so paid is deemed, solely for the purposes of the first paragraph, to have been paid after a favourable advance ruling was given by the Ministère du Revenu with regard to the contract, where

(a) an application for an advance ruling with regard to the contract was filed with the Ministère du Revenu on or before 31 December 1988;

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

(b) after 11 May 1988 and before (*insert here the date of assent to this Act*), the fourth paragraph thereof shall be read by replacing the words “within 90 days of the making of the contract”, wherever they

appear, by the words “on or before (*insert here the date of the ninetieth day after the date of assent to this Act*)”.

**87.** (1) Section 726.22 of the said Act, enacted by section 65 of chapter 18 of the statutes of 1988, is amended by replacing paragraph i of subparagraph *a* of the first paragraph by the following paragraph:

“i. the amount received or the value of the benefit, as the case may be, does not exceed a prescribed amount, is included and is not otherwise deducted in computing his income for the year, and is not included in computing an amount deducted under section 752.0.11 for the year or any other taxation year; and”.

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

**88.** (1) The said Act is amended by inserting, after section 726.23, the following sections:

#### “TITLE VI.7

##### “DISABILITY PENSION

**“726.24** Where an individual receives, in a taxation year, an amount consisting, in whole or in part, of a retroactive disability pension payment under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) which relates to a previous taxation year and, as a result thereof, he must repay all or part of an amount he has received under the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001), the Social Aid Act (R.S.Q., chapter A-16) or the Automobile Insurance Act (R.S.Q., chapter A-25), he may include, in computing his taxable income for that previous year, an amount not exceeding that part of the amount so received as such which may reasonably be considered to relate to that previous taxation year.

**“726.25** An individual who has included, in computing his taxable income for a taxation year, under section 726.24, an amount relating to a retroactive payment referred to in the said section which he received during a subsequent taxation year, may deduct, in computing his taxable income for that subsequent taxation year, all or part of the amount of that payment which he has so included in computing his taxable income.”

(2) This section applies in respect of a retroactive disability pension payment received after 31 December 1985.

**89.** (1) Section 728.0.1 of the said Act, amended by section 143 of chapter 67 of the statutes of 1987, is again amended by replacing paragraph *a* by the following paragraph:

“(a) the aggregate of his losses for the year from an office, employment, business or property, his allowable business investment losses for the year, of the amounts deducted by him in computing his taxable income for the year under sections 726.4.1, 726.4.3 to 726.4.7 and 726.6 to 726.20, or that he could have so deducted for the year under section 726.4.3 if his income had been sufficient therefor, and of all amounts deductible in computing his taxable income for the year pursuant to section 725, 725.2 to 725.6, 738 to 746 or 845 exceeds”.

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

**90.** (1) Section 737.1 of the said Act is amended

(1) by striking out paragraph *a*;

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

“(b) “accumulated averaging amount” of an individual means,

i. at the end of a taxation year ending before 1 January 1998 and that is not the year in which he died, the product determined under section 737.2;

ii. at the end of the taxation year ending before 1 January 1998 and in which he died, nil, where the tax payable by the individual under this Part for that year is computed under sections 758 to 766.1, and the product determined under section 737.2 in any other case;

iii. at any time after 31 December 1997, nil.”;

(3) by striking out paragraph *c*.

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

**91.** (1) Section 737.2 of the said Act is replaced by the following section:

**“737.2** The accumulated averaging amount of an individual at the end of a taxation year ending before 1 January 1998, other than the taxation year in which he died, is obtained by multiplying

(a) the amount by which his accumulated averaging amount at the end of the preceding taxation year exceeds the amount he designates in his election for the year under section 737.8, by

(b) the ratio that the Consumer Price Index for Canada published by Statistics Canada under the Statistics Act (Statutes of Canada) for the twelve-month period ending on 30 September of that year bears to the Consumer Price Index so published for the twelve-month period ending on 30 September of the preceding year, which ratio must be adjusted in such manner as may be prescribed and rounded to the nearest one-thousandth or, where the ratio is equidistant from two one-thousandths, to the higher thereof.”

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

**92.** (1) Section 737.3 of the said Act and Chapter III of Title VII.1 of Book IV of Part I of the said Act are repealed.

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

**93.** (1) Section 737.8 of the said Act is replaced by the following section:

**“737.8** An individual who is resident in Canada throughout a taxation year ending before 1 January 1998 shall add in computing his taxable income for the year the amount by which such portion of his accumulated averaging amount at the end of the preceding taxation year as he specifies in an election in the prescribed form filed by him with the Minister, with his fiscal return for the year under this Part, on or before the day on which he is required to file the return or would be so required if tax were payable by him for the year under this Part, exceeds the aggregate of amounts that would be his non-capital loss or farm loss for the year if section 728 were read without paragraph *b* thereof, and section 728.2 without the second paragraph thereof.”

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

**94.** (1) Section 737.9 of the said Act is replaced by the following section:

**“737.9** Chapter IV does not apply to a separate fiscal return filed under the second paragraph of section 429 or sections 681 and 1003.”

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

**95.** (1) Section 737.10 of the said Act is repealed.

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

**96.** (1) Section 737.11 of the said Act is replaced by the following section:

**“737.11** For the purposes of Chapter IV, an individual who dies in a taxation year is deemed to have been resident in Canada throughout the year if he was resident in Canada throughout the period commencing on the first day of that year and ending at the time of his death.”

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

**97.** (1) Section 737.12.1 of the said Act is amended by replacing what precedes paragraph *a* by the following:

**“737.12.1** An election filed by an individual under section 737.8 for a taxation year may be revoked by the individual or his legal representative by filing a notice of revocation, in writing, with the Minister not later than,”.

(2) This section applies to an election filed for the taxation year 1988 and subsequent taxation years.

**98.** (1) Section 737.19 of the said Act, enacted by section 58 of chapter 4 of the statutes of 1988, is amended, in paragraph *b*,

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

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

(2) by replacing subparagraph *ii* by the following subparagraph:

“ii. an eligible university entity within the meaning of paragraph *f* of section 1029.8.1;”;

(3) by striking out subparagraph *iii*.

(2) Paragraph 1 of subsection 1 of this section applies in respect of an expenditure made after 15 December 1987, other than an expenditure made after that date and before 1 January 1989 pursuant to

(a) an obligation entered into in writing before 16 December 1987;

(b) the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province in Canada, or

(c) the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, and was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of an employment contract entered into after 12 May 1988.

**99.** (1) Section 740.1 of the said Act is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) a corporation associated with a corporation described in paragraph *a* or *b*.”

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

**100.** (1) Section 740.3 of the said Act, amended by section 151 of chapter 67 of the statutes of 1987, is again amended by replacing paragraph *b* by the following paragraph:

“(b) listed on a prescribed stock exchange in Canada that was issued after 21 April 1980 by a corporation described in paragraph f58a of the second paragraph of section 740.1 or by a corporation that would be associated with such a corporation if paragraph *b* of section 20 were not taken into account, where all the guarantees described in section 740.2 are given by the corporation that issued the share, by one or more persons that would be associated with it if paragraph *b* of section 20 were not taken into account, or by both the latter corporation and such persons; or”.

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

**101.** (1) Section 749.1 of the said Act, enacted by section 59 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“749.1** In this Book, except for the purposes of sections 752.1 to 752.5, except subparagraph *b* of the first paragraph of section 752.2, and except for the purposes of section 772, tax, whether referred to as tax payable under this Part or tax otherwise payable under this Part or by any other similar expression, shall be computed as if this Part were read without reference to Book V.1.”

(2) This section applies from the taxation year 1987. However, where it applies to the taxation year 1987, section 749.1 of the Taxation Act, as enacted thereby, shall be read as follows:

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

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

**“750.** The tax payable by an individual, under this Part, on his taxable income is, for a taxation year, the following:

(a) 16% of the part of his taxable income that does not exceed \$7 000;

(b) \$1 120 plus 19% of that part of his taxable income that exceeds \$7 000 if such income exceeds \$7 000 but does not exceed \$14 000;

(c) \$2 450 plus 21% of that part of his taxable income that exceeds \$14 000 if such income exceeds \$14 000 but does not exceed \$23 000;

(d) \$4 340 plus 23% of that part of his taxable income that exceeds \$23 000 if such income exceeds \$23 000 but does not exceed \$50 000;

(e) \$10 550 plus 24% of that part of his taxable income that exceeds \$50 000 if such income exceeds \$50 000.”

(2) This section applies from the taxation year 1988. However, where it applies to the taxation year 1988, paragraphs *b* to *e* of section 750 of the Taxation Act, as enacted thereby, shall be read as follows:

“(b) \$1 120 plus 19.5% of that part of his taxable income that exceeds \$7 000 if such income exceeds \$7 000 but does not exceed \$14 000;

“(c) \$2 485 plus 21.5% of that part of his taxable income that exceeds \$14 000 if such income exceeds \$14 000 but does not exceed \$23 000;

“(d) \$4 420 plus 24.5% of that part of his taxable income that exceeds \$23 000 if such income exceeds \$23 000 but does not exceed \$50 000;

“(e) \$11 035 plus 26% of that part of his taxable income that exceeds \$50 000 if such income exceeds \$50 000.”

**103.** (1) Section 752 of the said Act is replaced by the following section:

**“752.** An individual is not bound to pay, for a taxation year under this Part, a tax higher than the aggregate of:

(a) the tax that would be payable by him if, in computing his tax payable under this Part for the year, the individual could deduct an amount for medical expenses under sections 752.0.11 to 752.0.13 in respect of a person who, had the person’s income for the year been nil, would have been a dependant in respect of whom the individual could have deducted an amount under sections 752.0.1 to 752.0.7 in computing the individual’s tax payable under this Part for the year; and

(b) 58% of the amount by which the income for the year of the person contemplated in paragraph *a* exceeds \$5 280.”

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

**104.** (1) The said Act is amended by inserting, after section 752, the following:

#### “CHAPTER I.0.1

##### “PERSONAL INCOME-TAX CREDITS

**“752.0.1** An individual may deduct from his tax otherwise payable for a taxation year under this Part 20% of an amount of \$5 280, plus 20% of the aggregate of the following amounts:

(a) \$5 280 for a person who is his spouse if he supports that person for that year;

(b) \$2 230 for a person

i. who is the child, sister or brother of the individual or the grandchild, niece or nephew of the individual or of his spouse;

ii. who, during the year, is under 18 years of age or 18 years of age or over and is in full-time attendance at a school or university;

iii. who ordinarily lives with the individual;

iv. who is dependent on the individual during the year, and



v. in respect of whom the individual does not make any deduction under paragraph *g*;

(*c*) \$1 895 for each person described in paragraph *b* in respect of whom the individual does not make any deduction under the said paragraph *b*;

(*d*) for each person described in paragraph *b*, \$1 525 in respect of each completed term, without exceeding two, which began in the year and during which the person was in full-time attendance at an educational institution contemplated in subparagraph *i* or *iv* of paragraph *a* of section 337 or in paragraph *b* or *c* of the said section, where he was enrolled in a prescribed post-secondary educational program and was not a prescribed tax-exempt person;

(*e*) \$1 115 for a person in respect of whom the individual is entitled to a deduction under paragraph *b*, if he is not entitled to the deduction contemplated in paragraph *a* and, during the year,

i. is unmarried or, being married, does not support or live with his spouse and is not supported by his spouse;

ii. does not live maritally with any person; and

iii. maintains a self-contained domestic establishment where he ordinarily lives and supports a person described in paragraph *b*;

(*f*) \$1 895 for each person

i. who is related to the individual by blood, marriage or adoption, other than his spouse;

ii. who, on the first day of the taxation year, is no less than 18 years of age;

iii. who ordinarily lives with the individual;

iv. who, during the year, is dependent for support on the individual; and

v. in respect of whom the individual makes no deduction under paragraph *b* or *c*;

(*g*) \$5 280 for each person described in paragraph *f* who, during the year, is dependent on the individual by reason of mental or physical infirmity and in respect of whom the individual makes no deduction under paragraph *f*;

(*h*) \$900, if the individual is not entitled to the deduction contemplated in paragraph *a* and ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by him and in which no person other than the individual or a person described in paragraph *b* lives during the year;

(*i*) \$3 960 if he is a member of a religious order, has taken vows of perpetual poverty and is not entitled to any deduction under paragraph *a*, *e* or *g*;

(*j*) \$2 200, if he has reached the age of 65 years before the end of the year.

**“752.0.2** The aggregate of the deductions referred to in paragraphs *a* to *g* of section 752.0.1 in respect of one person for a taxation year must be reduced by the amount of the person’s income for the year.

**“752.0.3** No deduction is granted under section 752.0.1, by virtue of paragraph *d* of the said section, unless the enrolment in an educational institution for a post-secondary educational program is certified by the sending to the Minister, on a prescribed form, of a declaration issued by the educational institution and containing the required information.

In addition, in respect of an educational institution contemplated in subparagraph iv of paragraph *a* of section 337, the student must be enrolled in a post-secondary educational program to enable him to acquire or improve the qualifications necessary for employment.

**“752.0.4** No individual may deduct an amount under section 752.0.1, by virtue of paragraph *a* or *b* of the said section, for a taxation year in respect of more than one person for each of the said paragraphs.

**“752.0.5** Where more than one person who ordinarily lives in the same self-contained domestic establishment would, but for this section, be entitled to the deduction contemplated in paragraph *b* of section 752.0.1, only one of those persons is deemed to be entitled to such deduction.

**“752.0.6** For the purposes of this chapter, where an individual is entitled to deduct, in computing his income for a taxation year, an amount contemplated in paragraph *a*, *a.1* or *b* of subsection 1 of section 336 in respect of a payment for the maintenance of a spouse or child, such spouse is deemed not to be his spouse from the time the individual makes such a payment and such child is deemed not to be his child during any period for which the individual makes such a payment.

**“752.0.7** Where, for a taxation year, the aggregate of amounts that an individual would, but for this section, be entitled to deduct under sections 752.0.1 to 752.0.6 in respect of a dependent person is equal to the amount that would otherwise be deductible by each of the other individuals who would so be entitled to deduct an amount in respect of that person under those sections, no amount greater than the amount that would be deductible under the said sections if only one individual were entitled to deduct an amount in respect of that person under those sections may be deducted by the individuals in respect of that person; where the individuals cannot agree on the portion of the amount each individual may deduct, the Minister may fix the amount of each portion.

Where, for a taxation year, the aggregate of amounts that an individual would, but for this section, be entitled to deduct under sections 752.0.1 to 752.0.6 in respect of a dependent person is different from the amount which an individual would so be entitled to deduct in respect of that person under those sections, the amount of each deduction otherwise provided for, for an individual, in paragraphs *a* to *g* of section 752.0.1 in respect of that person, and the amount that would otherwise be the amount of that person's income for the year shall for the purposes of application of sections 752.0.1 to 752.0.6 be reduced to the proportion of each of those amounts determined in respect of the individual by all the individuals who would so be entitled to a deduction under sections 752.0.1 to 752.0.6 in respect of that person; however, the aggregate of the proportions so determined for all the individuals in respect of one dependent person shall in no case exceed 1 for the year; if the aggregate of the proportions so determined exceeds 1 for the year, the Minister may fix the amount deductible by each individual for the year under the said sections in respect of that dependent person.

## “CHAPTER I.0.2

### “TAX CREDITS FOR PENSION INCOME

**“752.0.8** An individual who has attained the age of 65 years before the end of the taxation year may deduct from his tax otherwise payable for the year under this Part the lesser of \$200 and 20 % of the aggregate of the amounts contemplated in the second paragraph plus all amounts included in computing his income for the year

(*a*) as a payment of a life annuity under or out of a retirement plan;

(*b*) as an annuity payment under a registered retirement savings plan or under a new plan referred to in section 914 or an annuity in

respect of which an amount is included in computing his income under paragraph f58c.2 of section 312;

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

(d) as an annuity payment under a deferred profit sharing plan or under a plan revoked by virtue of section 876 or 876.1;

(e) as a payment referred to in paragraph *a* of section 873;

(f) as an amount by which an annuity payment included in computing his income for the year under paragraph *c* of section 312 exceeds the capital element of that payment as determined in paragraph f58f of subsection 1 of section 336.

The amounts to which the first paragraph refers are the amounts that are included in computing the income of an individual for the year under sections 92.9 to 92.20 or paragraph *c.1* of section 312.

**“752.0.9** An individual who has not attained the age of 65 years before the end of a taxation year, and who, before the end of the year, meets one of the conditions described in the second paragraph may deduct from his tax otherwise payable for the year under this Part the lesser of \$200 and 20% of the aggregate of all amounts included in computing his income for the year and which is contemplated

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

(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 by reason of the death of his spouse.

The deduction described in this section is allowed only if the individual, before the end of the year,

(a) has attained the age of 60 years;

(b) has received a disability pension or survivor's pension under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or any equivalent plan within the meaning of the said Act; or

(c) has not attained the age of 60 years and does not deduct in computing his income for the year any amount under paragraph *d* of section 339, other than in respect of an amount he has included in computing his income under section 885, and that he has received in satisfaction of all his rights under a deferred profit sharing plan.

**“752.0.10** For the purposes of this chapter, the amounts described in sections 752.0.8 and 752.0.9 do not include:

(a) the amount of any pension, supplement or spouse’s allowance received under the Old Age Security Act (Statutes of Canada) or a similar payment made under a provincial law;

(b) the amount of any benefit paid under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or under a similar plan within the meaning of the said Act;

(c) a death benefit;

(d) the amount by which an amount required to be included in computing the individual’s income for the year exceeds the remainder of that amount after deducting the aggregate of all deductions claimed by the individual in respect of that amount;

(e) an amount received out of or under a salary deferral arrangement in respect of an individual, an employee trust, an employee benefit plan, or a prescribed provincial pension plan;

(f) an amount included in that part of his income for the year which is described in the first paragraph of section 737.16.

### “CHAPTER I.0.3

#### “TAX CREDITS FOR MEDICAL EXPENSES AND FOR MENTALLY OR PHYSICALLY IMPAIRED PERSONS

**“752.0.11** An individual may deduct from his tax otherwise payable for a taxation year under this Part an amount determined by the following formula

A (B-C).

For the purposes of the formula contemplated in the first paragraph,

(a) the letter A represents a rate of 20 %;

(b) the letter B represents the aggregate of prescribed medical expenses, proven by filing a receipt therefor with the Minister, that were not included in determining a deduction for medical expenses for a preceding taxation year and that were paid by either the individual or his legal representatives,

i. within any period of 12 months ending in the year; or

ii. within any period of 24 months that includes the day of death, provided that the individual died in the year;

(c) the letter C represents the lesser of 3 % of the individual's income for the year and the amount in dollars referred to in subsection 1 of section 118.2 of the Income Tax Act (Statutes of Canada) for that year.

**“752.0.12** The expenses contemplated in subparagraph *b* of the second paragraph of section 752.0.11 must have been paid for the benefit of the individual, his spouse or any other person dependent upon him in respect of whom he may make a deduction under sections 752.0.1 to 752.0.7 in computing his tax payable under this Part for the taxation year in which the expenses were incurred.

**“752.0.13** For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, the medical expenses for which an individual or his legal representatives have received a reimbursement or are entitled thereto are not deductible as medical expenses paid by such individual except to the extent that the amount of the expenses is required to be included in computing the individual's income under this Part.

**“752.0.14** An individual may deduct from his tax otherwise payable for a taxation year under this Part 20 % of an amount of \$2 200 if

(a) the individual has a severe and prolonged mental or physical impairment;

(b) a physician or, where the individual has a visual impairment, a physician or optometrist has certified, on a prescribed form, that the individual has an impairment contemplated in paragraph *a*;

(c) the individual has filed with the Minister the certificate contemplated in paragraph *b* for the year;

(d) neither the individual nor any other person has included, in computing a deduction under section 752.0.11 for the year, an amount in respect of remuneration for an attendant or care in a nursing home by reason of the individual's mental or physical impairment.

**“752.0.15** An individual may deduct from his tax otherwise payable for a taxation year under this Part the excess of 20 % of an amount of \$2 200 over the taxes payable for the year under this Part, computed before making any deduction contemplated in this Book, other than those contemplated in sections 752.0.1 to 752.0.10, by any person resident in Canada at any time in the year, in respect of whom

he has claimed a deduction for the year under section 752.0.1, pursuant to paragraphs *b* to *g* of the said section, or could have claimed such a deduction if such person had had no income during the year, if

(a) such person is an individual entitled to deduct for the year an amount under section 752.0.14; and

(b) neither the individual nor any other person has included, in computing a deduction for the year under section 752.0.11, an amount in respect of remuneration for an attendant or care in a nursing home by reason of the individual's mental or physical impairment.

**“752.0.16** Where more than one individual is, in respect of a taxation year, entitled to deduct an amount under section 752.0.15 in respect of the same person, the aggregate of all amounts deductible for the year by those individuals in respect of such person shall not exceed the amount that would be deductible under that section for the year if such individual were the only individual entitled to deduct an amount under the said section in respect of such person; where the individuals cannot agree as to what portion of the amount each can deduct, the Minister may fix the portions.

**“752.0.17** For the purposes of sections 351 to 356.0.1, 752.0.11 to 752.0.16 and the regulations under section 752.0.11, a person is considered to have a severe and prolonged impairment only if by reason thereof he is markedly restricted in his activities of daily living and the impairment has lasted or can reasonably be expected to last for a continuous period of at least 12 months.

The Minister may obtain the advice of an agency or of another department to help him determine whether a person has a severe and prolonged impairment.

**“752.0.18** For the purposes of sections 351 to 356.0.1, 752.0.11 to 752.0.16 and the regulations under section 752.0.11, a reference to a dentist, nurse, physician, optometrist, pharmacist or practitioner is a reference to a person authorized to practice as such,

(a) where the reference is used in respect of a service rendered to an individual in accordance with the laws of the jurisdiction in which the service is rendered;

(b) where the reference is used in respect of a certificate issued by the person in respect of an individual in accordance with the laws of the jurisdiction in which the individual resides or of a province; and

(c) where the reference is used in respect of a prescription issued by the person for property to be provided to or for the use of an

individual in accordance with the laws of the jurisdiction in which the individual resides, of a province or of the jurisdiction in which the property is provided.

For the purposes of this chapter and the regulations under section 752.0.11, the expression “practitioner” means any person practising a profession recognized by the Minister.

#### “CHAPTER I.0.4

##### “TRANSFER BETWEEN SPOUSES OF CERTAIN UNUSED TAX CREDITS

**“752.0.19** An individual who, at any time in a taxation year, is a married person, other than an individual who, by reason of a breakdown of their marriage, is living separate and apart from the individual’s spouse at the end of the year and for a period of 90 days commencing in the year, may deduct from his tax otherwise payable for the year the amount by which

(a) the aggregate of all amounts that the individual’s spouse may deduct from his tax otherwise payable for the year under section 752.0.1, by virtue of paragraph *j* of the said section, sections 752.0.8 to 752.0.10 or section 752.0.14, exceeds

(b) the amount of tax payable for the year by the individual’s spouse under this Part, computed before making any deduction contemplated in this Book, other than the first deduction contemplated in that part of section 752.0.1 which precedes paragraph *a*.

#### “CHAPTER I.0.5

##### “ANNUAL INDEXATION OF CERTAIN AMOUNTS

**“752.0.20** The following amounts must be indexed annually so that each of these amounts to be used for a taxation year subsequent to the taxation year 1989, becomes that obtained by adding to that amount the amount obtained by multiplying, by the prescribed ratio for that year, the amount that would have been applicable for that year but for this section:

(a) the amounts of \$900, \$1 115, \$1 525, \$1 895, \$2 230 and \$5 280 referred to in section 752.0.1;

(b) the amount of \$5 280 referred to in paragraph *b* of section 752.

**“752.0.21** Where an amount referred to in paragraphs *a* to *c* of section 752.0.20 is not a multiple of \$5 when indexed in accordance



with the said section, it must be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the nearest higher multiple thereof.

#### “CHAPTER I.0.6

##### “ORDERING OF CREDITS

**“752.0.22** For the purposes of computing the tax payable under this Part by an individual, the following provisions shall be applied in the following order: sections 752.0.1, 752.0.8, 752.0.9, 752.0.14 to 752.0.16, 752.0.19, 752.0.11 to 752.0.13 and 767.

#### “CHAPTER I.0.7

##### “INDIVIDUALS RESIDENT IN QUÉBEC AND CARRYING ON BUSINESS OUTSIDE QUÉBEC IN CANADA AND INDIVIDUALS RESIDENT IN CANADA OUTSIDE QUÉBEC AND CARRYING ON BUSINESS IN QUÉBEC

**“752.0.23** Where an individual is contemplated in the second paragraph of section 22 or 25, the amount that he may deduct under sections 752.0.1 to 752.0.19 in computing his tax payable for a taxation year under this Part shall not exceed the portion of such amount that is represented by the proportion contemplated in the second paragraph of section 22 or 25, as the case may be.

#### “CHAPTER I.0.8

##### “INDIVIDUALS RESIDENT IN CANADA FOR PART OF THE YEAR

**“752.0.24** Where an individual is resident in Canada during part of a taxation year and during some other part of the year is not resident in Canada, is not employed in Canada and is not carrying on business in Canada, no amounts may be deducted by the individual under sections 752.0.1 to 752.0.19 for the purpose of computing his tax payable under this Part for the year except

(a) the deduction permitted under sections 752.0.11 to 752.0.13 that may reasonably be considered wholly applicable to the individual for any period in the year throughout which he is resident in Canada, employed in Canada or carrying on business in Canada; and

(b) such part of the deductions permitted under sections 752.0.1 to 752.0.10 and 752.0.14 to 752.0.19 as may reasonably be considered applicable to the individual for any period contemplated in subparagraph *a*.

However, the first paragraph does not apply where all or substantially all of an individual's income for the year is included in computing his taxable income for the year.

#### “CHAPTER I.0.9

##### “INDIVIDUALS RESIDENT OUTSIDE CANADA

**“752.0.25** Where an individual is contemplated in the second paragraph of section 26, sections 752.0.1 to 752.0.13, 752.0.15, 752.0.16 and 752.0.19 do not apply for the purpose of computing his tax payable under this Part for a taxation year. However, where all or substantially all of the individual's income for the year, as determined under section 28, is included in computing his taxable income earned in Canada for the year, he may deduct, for the purpose of computing his tax payable under this Part for the year, such part of the amounts determined under the said sections as represented by the proportion contemplated in the second paragraph of section 26.

#### “CHAPTER I.0.10

##### “SEPARATE RETURNS OF INCOME

**“752.0.26** Where a separate fiscal return with respect to an individual is filed under section 429, 681 or 1003 for a particular period and another fiscal return under this Part with respect to the individual is filed for a period ending in the calendar year in which the particular period ends, for the purpose of computing the tax payable under this Part by the individual in such returns, the aggregate of all deductions claimed in all such returns under any of sections 752.0.8 to 752.0.18 shall not exceed the aggregate that could be deducted thereunder for the year with respect to the individual if no separate returns were filed under section 429, 681 or 1003.”

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

**105.** (1) Section 752.1 of the said Act is amended by replacing subparagraphs *a* and *b* of the first paragraph by the following subparagraphs:

“(a) the amount specified in his election for the year under section 737.8 and, where his legal representative has filed on his behalf an election under section 752.2 for the year, his accumulated averaging amount at the end of the year is multiplied by

“(b) the percentage referred to in paragraph *e* of section 750.”

(2) This section applies to an election filed for the taxation year 1988 and subsequent taxation years.

**106.** (1) Section 752.2 of the said Act, amended by section 61 of chapter 4 of the statutes of 1988, is again amended by replacing the first paragraph by the following paragraph:

**“752.2** Where an individual dies in a taxation year ending before 1 January 1998 and is resident in Canada at the time of his death and his legal representative files with the individual’s fiscal return for the year an election in prescribed form on or before the day on or before which the return is required to be filed, there shall be added to the amount that would, but for this chapter, be his tax payable for the year under this Part with respect to the return of income an amount equal to the amount, if any, by which

(a) the aggregate of his tax that would otherwise have been payable under this Part, computed without taking account of sections 752.1 to 776.1.5, 776.17, 776.29 to 776.41, 1183 and 1184 and the proportion contemplated in the second paragraph of section 22 or 25, for each of the three taxation years immediately preceding the year of his death if he had been resident in Québec throughout those years, had derived all that income for those years from sources situated in Québec and if his taxable income otherwise determined for each of those years were increased by 1/3 of his accumulated averaging amount at the end of the year in which he died, exceeds

(b) the aggregate of his tax that would otherwise have been payable under this Part, computed in the manner described in paragraph *a*, for each of the three preceding taxation years referred to in the said paragraph *a*, if he had been resident in Québec throughout those years and had derived all that income for those years from sources situated in Québec.”

(2) This section applies to an election filed for the taxation year 1988 and subsequent taxation years.

**107.** (1) Chapter I.2 of Title I of Book V of Part I of the said Act is repealed.

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

**108.** (1) Section 752.12 of the said Act, enacted by section 63 of chapter 4 of the statutes of 1988, is amended

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

**“752.12** An individual may deduct from the amount that, but for sections 752.1 to 752.5 and 752.14 and this section, would be the tax otherwise payable by him under this Part for a particular taxation year, such amount as he may claim not exceeding the lesser of”;

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

“(b) the amount, if any, by which the amount that, but for section 752.14 and this section, would be his tax otherwise payable under this Part for the particular year if such tax were computed pursuant to Book V without taking account of sections 752.1 to 752.5, 772, 776, 776.1.1 to 776.1.5 and 776.6 to 776.20, exceeds the amount determined in respect of the individual for the year under sections 1029.7, 1029.7.1, 1029.8, 1029.8.0.1, 1029.8.0.2, 1029.8.6, 1029.8.6.1, 1029.8.7, 1029.8.7.1, 1029.8.7.2, 1029.8.10, and 1029.8.11, reduced by the amount of the minimum tax applicable to that individual for the particular year as determined under section 776.46.”

(2) This section applies from the taxation year 1987. However, where it applies to the taxation year 1987, what precedes paragraph *a* and paragraph *b* of the said section 752.12 of the Taxation Act, enacted thereby, shall read as follows:

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

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

**109.** (1) Section 752.13 of the said Act, enacted by section 63 of chapter 4 of the statutes of 1988, is repealed.

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

**110.** (1) Sections 752.14 to 752.16 of the said Act, enacted by section 63 of chapter 4 of the statutes of 1988, are replaced by the following sections:

**“752.14** For the purposes of section 752.12, additional tax of an individual for a taxation year is the amount, if any, by which his minimum tax applicable for the year as determined under section 776.46 exceeds the amount that would be the tax otherwise payable by him under this Part for the year if such amount were computed pursuant to Book V without taking account of sections 752.1 to 752.5, 772, 776 and 776.1.1 to 776.1.5, exceeds the amount determined in respect of the individual for the year under sections 1029.7, 1029.7.1, 1029.8, 1029.8.0.1, 1029.8.0.2, 1029.8.6, 1029.8.6.1, 1029.8.7, 1029.8.7.1, 1029.8.7.2, 1029.8.10 and 1029.8.11.

**“752.15** For the purposes of sections 752.12 and 752.14, the minimum tax applicable to an individual for a taxation year, as determined under section 776.46, must be computed, where applicable, by applying thereto the proportion referred to in the second paragraph of section 22, 25 or 26.

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

(2) This section applies from the taxation year 1987. However, where it applies to the taxation year 1987, section 752.14 of the Taxation Act, enacted by this section, shall read as follows:

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

**111.** (1) Section 759 of the said Act is amended by replacing paragraph *e* of subsection 1 by the following paragraph:

“(e) deduct from the aggregate of the average taxes obtained under paragraph *d* the aggregate of the taxes payable for the preceding years in the averaging period, computed without taking account of sections 752.12 to 752.16”.

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

**112.** (1) Section 762 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the earliest of the preceding years ends prior to 1 January 1988 and is one of the six years immediately preceding the year of averaging;”.

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

**113.** (1) Section 767 of the said Act, amended by section 64 of chapter 4 of the statutes of 1988 and by section 67 of chapter 18 of the statutes of 1988, is replaced by the following section:

“**767.** An individual may deduct from his tax otherwise payable under this Part, computed without taking account of sections 752.1 to 752.5, 44 1/3 % of the amount he is required to include in computing his income for the year under subsection 2 of section 497.

However, where that individual is an individual contemplated in the second paragraph of any of sections 22, 25 or 26, he shall deduct no more than the part of the amount determined under the first paragraph which is equal to the proportion contemplated in the second paragraph of one of the said sections, as the case may be.

The first paragraph does not apply in respect of an amount included in that part of the individual's income for the year which is described in the first paragraph of section 737.16.”

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

**114.** (1) The said Act is amended by inserting, after section 770, the following section:

“**770.1** No deduction may be made under sections 752.0.1 to 752.0.10 in computing the tax payable by a trust for a taxation year.”

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

**115.** (1) Section 771 of the said Act is amended, in subsection 1,

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

“(d) in the case of a corporation contemplated in paragraph *b*, for a taxation year ending after 1982 and before 1989, to the amount by which 13 % of its taxable income for the year exceeds the aggregate of”;

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

“(d.1) in the case of a corporation contemplated in paragraph *b*, for a taxation year ending after 1988, to the amount by which 13 % of its taxable income for the year exceeds the aggregate of

i. 7.5 % of the lesser of its taxable income for the year and the amount by which its income for the year from an eligible business operated by it exceeds its loss for the year from such a business; and

ii. where the corporation was, throughout the year, a Canadian-controlled private corporation, 2.5 % of the aggregate, where such is the case, of the amount determined in its respect for the year under section 771.0.2, and where the corporation was, throughout the year, a savings and credit union, the additional amount determined in its respect for the year under section 771.0.3;”;

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

“(e) notwithstanding paragraph *d.1*, in the case of a corporation contemplated in paragraph *b*, for the taxation year for which it is an eligible business within the meaning of sections 771.5 to 771.7, to the aggregate of 3.2175 % of the portion of its taxable income for the year equal to the amount determined in its respect for the year under section 771.9 and the amount by which 13 % of the remaining portion of its taxable income for the year exceeds the aggregate of”;

(4) by replacing subparagraphs *ii* and *iii* of paragraph *e* by the following subparagraphs:

“ii. 7.5 % of the amount by which the lesser of its taxable income for the year and, where the corporation is not a corporation contemplated in paragraph *c* of section 771.8, the amount by which its income for the year from an eligible business carried on by it exceeds its loss for the year from such a business or, where the corporation is a corporation contemplated in the said paragraph *c*, the greater of the latter excess amount and the aggregate contemplated in subparagraph *ii* of paragraph *d.1* exceeds the amount determined in its respect for the year under section 771.8; and

“iii. where the corporation was, throughout the year, a savings and credit union, 2.5 % of the amount by which the amount determined in its respect for the year under section 771.0.2 exceeds the amount determined in its respect for the year under section 771.8.”

(2) Paragraphs 1, 2 and 4 of subsection 1 apply from the taxation year 1989 of a corporation.

(3) Paragraph 3 of subsection 1 applies to a taxation year of a corporation ending after 12 May 1988. However, where it applies to a taxation year ending after 12 May 1988 and before 1 January 1989, that part of paragraph *e* which precedes subparagraph i of section 771 of the Taxation Act, enacted thereby, shall read as follows:

“(e) notwithstanding paragraph *d*, in the case of a corporation contemplated in paragraph *b*, for the taxation year for which it is an eligible business within the meaning of sections 771.5 to 771.7, to the aggregate of 3.2175% of the portion of its taxable income for the year equal to the amount determined in its respect for the year under section 771.9 and the amount by which 13% of the remaining portion of its taxable income for the year exceeds the aggregate of”.

**116.** (1) Section 771.0.1 of the said Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) 7.25% of that tax, where it is computed under paragraph *a* or *d*.1 of the said subsection;”.

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

**117.** (1) The said Act is amended by inserting, after section 771.0.1, the following sections:

**“771.0.2** The amount contemplated in subparagraph ii of paragraph *d*.1 of subsection 1 of section 771 is, in respect of a corporation for a taxation year, an amount equal to the least of

(a) the amount, if any, by which the aggregate of all amounts each of which is the income of the corporation for the year from an eligible business carried on in Canada, other than the income of the corporation for the year from a business carried on by it as a member of a partnership and the specified partnership income of the corporation for the year, exceeds

i. the aggregate of all amounts each of which is a loss of the corporation for the year from an eligible business carried on in Canada, other than the loss of the corporation for the year from a business carried on by it as a member of a partnership; and

ii. the specified partnership loss for the year;

(b) the amount, if any, by which the corporation's taxable income for the year exceeds 100/13 of the deductible amount for the year under the regulations made pursuant to section 772 in computing the tax for the year otherwise payable by it under this Part;



(c) the corporation's business limit for the year.

**“771.0.3** The additional amount contemplated in subparagraph ii of paragraph *d.1* of subsection 1 of section 771 is, in respect of a corporation for a taxation year, equal to the amount by which the lesser of

(a) the corporation's taxable income from the year, and

(b) the amount, if any, by which  $\frac{4}{3}$  of the corporation's maximum cumulative reserve at the end of the year exceeds the corporation's preferred-rate amount at the end of the preceding taxation year.

**“771.0.4** For the purposes of this Part, except subparagraph ii of paragraph *d.1* of subsection 1 of section 771, any additional amount determined under section 771.0.3 is deemed to be an amount determined under section 771.0.2.

**“771.0.5** For the purposes of this Title,

(a) “member” of a savings and credit union, called a “credit union” in this section, is a member of a credit union within the meaning of section 798;

(b) “preferred-rate amount of a corporation” at the end of a taxation year means an amount equal to the aggregate of its preferred-rate amount at the end of its preceding taxation year and the amount determined in its respect for the year under section 771.0.2;

(c) “maximum cumulative reserve” of a credit union at the end of a taxation year means an amount equal to 5% of the aggregate of amounts each of which is

i. the amount of any debt owing by the credit union to a member thereof or of any other obligation of the credit union to pay an amount to a member thereof, that was outstanding at the end of the year, including the amount of any deposit standing to the credit of a member of the credit union in the records of the credit union, but excluding any share in the credit union of any member thereof;

ii. the amount, as of the end of the year, of any share in the credit union of any member thereof.

**“771.0.6** For the purposes of section 771.0.3, the following rules apply:

(a) where at any time a new corporation has been formed as a result of an amalgamation of two or more predecessor corporations,

within the meaning of subsection 1 of section 544, it shall be deemed to have had a taxation year ending immediately before that time and to have had, at the end of that year, a preferred-rate amount equal to the aggregate of the preferred-rate amounts of each of the predecessor corporations at the end of their last taxation years; and

(b) where there has been a winding-up contemplated in section 556, the preferred-rate amount of the parent, within the meaning of section 556, at the end of its taxation year immediately preceding its taxation year in which it received the assets of the subsidiary within the meaning of section 556 on the winding-up shall be deemed to be the aggregate of the amount that would otherwise be its preferred-rate amount at the end of that year and the preferred-rate amount of the subsidiary at the end of its taxation year in which its assets were distributed to the parent on the winding-up.”

(2) This section applies from the taxation year 1989 of a corporation. However, for the purposes of paragraph *b* of section 771.0.5 and section 771.0.6 of the Taxation Act, enacted thereby, where the preferred-rate amount of a corporation must be determined for a taxation year prior to the taxation year 1989 of a corporation, the amount shall be equal to the amount determined under subsection 4.3 of section 137 of the Income Tax Act of the Statutes of Canada.

**118.** (1) Sections 771.1 and 771.1.1 of the said Act are replaced by the following sections:

**“771.1** For the purposes of this Title,

(a) the expression “specified investment business” carried on by a corporation in a taxation year means a business, other than a business carried on by a savings and credit union or a business of leasing property other than real property, the principal purpose of which is to derive income from property including interest, dividends, rents or royalties, unless the corporation employs in the business throughout the year more than five full-time employees, or in the course of carrying on an eligible business, any other corporation associated with it provides managerial, administrative, financial, maintenance or other similar services to the corporation in the year and the corporation could reasonably be expected to require more than five full-time employees if those services had not been provided;

(b) the expression “eligible business carried on by a corporation” means any business carried on by a corporation other than a specified investment business or a personal services business and includes, except for the purposes of the second paragraph of section 771.6 and paragraph *d* of section 771.8, an adventure or concern in the nature of trade.

**“771.1.1** For the purposes of this Title, the income of a corporation for a taxation year from an eligible business carried on by it means its income from the business for the year and includes the income of the corporation for the year that is incident to or pertains to that business or from any property that is used or held principally for the purpose of gaining an income from that business.”

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

**119.** (1) The said Act is amended by inserting, after section 771.1.1, the following sections:

**“771.1.2** For the purposes of this title, a corporation’s “business limit” for a taxation year is \$200 000 unless the corporation is associated in the year with one or more other Canadian-controlled private corporations in which case, except as otherwise provided in this title, its business limit for the year is nil.

**“771.1.3** Notwithstanding section 771.1.2, where all of the Canadian-controlled private corporations that are associated with each other in a taxation year have filed with the Minister in prescribed form an agreement whereby, for the purposes of this title, they allocate an amount to one or more of them for the taxation year and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, is \$200 000, the business limit for the year of each of the corporations is the amount so allocated to it.

**“771.1.4** If any of the Canadian-controlled private corporations that are associated with each other in a taxation year has failed to file with the Minister an agreement as contemplated in section 771.1.3 within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this title, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal \$200 000, and in any such case, notwithstanding section 771.1.2, the business limit for the year of each of the corporations is the amount so allocated to it.

**“771.1.5** Notwithstanding any other provision of this Title,

(a) where a Canadian-controlled private corporation, called the “first corporation” in this section, has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another Canadian-controlled private corporation that has a taxation year ending in that calendar year, the

business limit of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to the application of paragraph *b*, an amount equal to its business limit for the first such taxation year determined without reference to paragraph *b*, and

(*b*) where a Canadian-controlled private corporation has a taxation year that is less than 51 weeks, its business limit for the year is that proportion of its business limit for the year determined without reference to this paragraph that the number of days in the year is of 365.

**“771.1.6** For the purposes of this title, where in a taxation year a corporation is a member of a particular partnership and in the year the corporation or a corporation with which it is associated in the year is a member of one or more other partnerships and it may reasonably be considered that one of the main reasons for the separate existence of the partnerships is to increase the amount of a deduction of any corporation under subparagraph ii of paragraph *d.1* of subsection 1 of section 771, the specified partnership income of the corporation for the year shall, for the purposes of this title, be computed in respect of those partnerships as if all amounts each of which is the income of one of the partnerships for a fiscal period ending in the year from an eligible business carried on by it in Canada were nil except for the greatest of such amounts.

**“771.1.7** For the purposes of this title, a corporation which is a member, or is deemed under this section to be a member, of a partnership that is itself a member of another partnership shall be deemed to be a member of the other partnership and the corporation's share of the income of the other partnership for a fiscal period shall be deemed to be equal to the amount of such income to which the corporation was directly or indirectly entitled.

**“771.1.8** Notwithstanding any other provision of this title, where a corporation is a member of a partnership that was controlled, directly or indirectly in any manner whatever, by one or more non-resident persons, by one or more public corporations other than a prescribed venture capital corporation, or by any combination thereof at any time in its fiscal period ending in a taxation year of the corporation, the income of the partnership for that fiscal period from an eligible business carried on by it in Canada shall, for the purposes of computing the specified partnership income of a corporation for the year, be deemed to be nil.

**“771.1.9** For the purposes of section 771.1.8, a partnership shall be deemed to be controlled by one or more persons at any time if

the aggregate of the shares of such person or persons of the income of the partnership from any source for the fiscal period of the partnership that includes that time exceeds one half of the income of the partnership from that source for that period.

**“771.1.10** For the purposes of this title, the expression “specified partnership income” of a corporation for a taxation year means the aggregate of

(a) the aggregate of all amounts each of which is an amount in respect of a partnership of which the corporation was a member in the year equal to the lesser of

i. the aggregate of all amounts each of which is the corporation’s share of the income determined in accordance with Title XI of Book III of this Part, of the partnership for a fiscal period ending in the year from an eligible business carried on in Canada by it as a member of the partnership, and

ii. that proportion of the lesser of \$200 000 and the product obtained when \$548 is multiplied by the number of days contained in a fiscal period of the partnership ending in the year that the amount determined under subparagraph i is of the aggregate of all amounts each of which is the income of the partnership for a fiscal period referred to in subparagraph i from an eligible business carried on by it in Canada, and

(b) the lesser of

i. the aggregate of the amounts determined in respect of the corporation for the year under subparagraphs i and ii of paragraph a of section 771.0.2, and

ii. the aggregate of all amounts each of which is an amount in respect of a partnership of which the corporation was a member in the year equal to the amount, if any, by which the amount determined in respect of the partnership for the year under subparagraph i of paragraph a exceeds the amount determined in respect of the partnership for the year under subparagraph ii of that paragraph.

**“771.1.11** For the purposes of this title, the expression “specified partnership loss” of a corporation for a taxation year means the aggregate of all amounts each of which is an amount in respect of a partnership of which the corporation was a member in the year equal to the corporation’s share of a loss, determined in accordance with Title XI of Book III of this Part, of the partnership for a fiscal period ending in the year from an eligible business carried on in Canada by it as a member of the partnership.”

(2) This section, where it enacts sections 771.1.2 to 771.1.5, 771.1.10 and 771.1.11 of the Taxation Act, applies from the taxation year 1989 of a corporation.

(3) This section, where it enacts sections 771.1.6 and 771.1.7 of the said Act, applies from the fiscal period of a partnership commencing after 10 February 1988 and ending after 31 December 1988.

(4) This section, where it enacts sections 771.1.8 and 771.1.9 of the said Act, applies from the fiscal period of a partnership commencing after 31 December 1988.

**120.** (1) Section 771.2 of the said Act is repealed.

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

**121.** (1) Sections 771.2.1 to 771.3 of the said Act are replaced by the following sections:

**“771.2.1** Where paragraph *d.1* of subsection 1 of section 771 applies for a taxation year to a corporation that was a savings and credit union throughout the entire year and where the excess amount that would otherwise be determined for the year under subparagraph i of the said paragraph *d.1* is less than the aggregate contemplated in subparagraph ii of the said paragraph *d.1*, the said excess amount is deemed to be equal to that aggregate.

**“771.2.2** For the purposes of subparagraphs i and ii of paragraph *d.1* of subsection 1 of section 771, of subparagraphs ii and iii of paragraph *e* of the said subsection 1 and of paragraph *d* of section 771.8, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed as if any income or loss of the corporation for the year from the operations of an international financial centre were nil.

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

(2) This section, where it replaces sections 771.2.1 and 771.2.2 of the Taxation Act, applies from the taxation year 1989 of a corporation.

(3) This section, where it replaces section 771.3 of the said Act, applies from the taxation year 1988.

**122.** (1) Section 771.8 of the said Act, amended by section 65 of chapter 4 of the statutes of 1988, is again amended

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

“(b) the amount by which its taxable income for the year exceeds 100/13 of the amount deductible for the year under the regulations made pursuant to section 772 in computing its tax otherwise payable for the year under this Part;”;

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

“i. the amount by which  $\frac{4}{3}$  of its maximum cumulative reserve at the end of the year exceeds the aggregate, for any preceding taxation year, of the amount determined in its respect under this section and the excess amount described in subparagraph *iii* of paragraph *e* of subsection 1 of section 771; and”.

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

**123.** (1) Sections 773 to 775 of the said Act are repealed.

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

**124.** (1) Section 775.1 of the said Act is replaced by the following section:

“**775.1** A venture capital corporation, within the meaning of section 965.29, may deduct from its tax otherwise payable for a taxation year under this Part, the amount provided for in section 965.33 for the year.”

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

**125.** (1) Section 776 of the said Act, amended by section 67 of chapter 4 of the statutes of 1988, is again amended by replacing the first paragraph by the following paragraph:

“**776.** An individual who is an elector may deduct from his tax otherwise payable under this Part for a taxation year, computed without reference to sections 752.1 to 752.5, an amount equal to 50 % of the first \$280 contributed in money during the year to the official

representative of an authorized political party, authorized authority of an authorized political party or authorized independent candidate.”

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

**126.** (1) Section 776.1 of the said Act is repealed.

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

**127.** (1) Section 776.1.1 of the said Act, replaced by section 153 of chapter 67 of the statutes of 1987 and by section 69 of chapter 4 of the statutes of 1988, and section 776.1.2 of the said Act, replaced by section 70 of chapter 4 of the statutes of 1988, are again replaced by the following sections:

**“776.1.1** An individual who is not a dealer acting as an intermediary or as firm underwriter may deduct from his tax otherwise payable for a taxation year under this Part, computed without reference to sections 752.1 to 752.5, 20% of the amount he pays in the year or within the following 60 days, to such extent as he did not deduct it for a preceding taxation year, for the purchase, as first purchaser, of a class “A” share issued by the corporation governed by the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1).

**“776.1.2** An individual may deduct from his tax otherwise payable for a taxation year under this Part, computed without reference to sections 752.1 to 752.5, an amount not exceeding the amount, if any, by which the balance of the amount he has not deducted under section 776.1.1 in respect of a share described therein, for the year or a preceding taxation year, exceeds any amount deducted under this section, in respect of the share, for a preceding taxation year.”

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

**128.** (1) The said Act is amended by inserting, after section 776.1.4, the following section:

**“776.1.4.1** In no case may an individual deduct an amount under section 776.1.1 or 776.1.2 in respect of a share purchased after an application for the redemption of the share made under subparagraph 5 of the first paragraph of section 10 of the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.).”

(2) This section applies in respect of a share purchased after *(insert here the date of assent to this Act)*.



**129.** (1) Title IV of Book V of Part I of the said Act is repealed.

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

**130.** (1) Section 776.5.1 of the said Act is replaced by the following section:

**“776.5.1** An individual who is resident in Québec on 31 December of a taxation year and files a return for the year under section 1 000 is deemed to have paid at that date, as tax payable for the year under this Part, the total of all amounts paid to him by the Minister for the year as an advance child allowance under Title VI.1 of Book IX of this Part.”

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

**131.** (1) Section 776.7 of the said Act, amended by section 158 of chapter 67 of the statutes of 1987 and by section 68 of chapter 18 of the statutes of 1988, is again amended by replacing paragraph *c* by the following paragraph:

“(c) “tax otherwise payable” by an individual under this Part for a taxation year means the tax payable by him for the year under this Part, computed without reference to sections 752.1 to 752.5 and 776.17.”

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

**132.** (1) Title VI of Book V of Part I of the said Act is repealed.

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

**133.** (1) Section 776.29 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended

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

“(c) “total income” of an individual for a taxation year means the aggregate of

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, paragraph *c* of section 70 or section 72.1;

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

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

iv. any other amount received and not included in computing the income under paragraphs *a* and *b* of section 489, sections 491 and 494 to 496 and the regulations under section 488, except any income supplement received under the Act respecting work income supplement (R.S.Q., chapter S-37.1) and any amount received under a program of subsidies for children in day care centres established under the Act respecting health services and social services (R.S.Q., chapter S-5) or the Act respecting child day care (R.S.Q., chapter S-4.1); and

v. any other amount received as a lost-wages insurance benefit or as an income insurance benefit or as a replacement for wages or income.”;

(2) by adding the following paragraph:

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

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

**134.** (1) Section 776.31 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“776.31** For the purposes of this title, an individual has, during the year, a dependent person only if he or, where such is the case, his spouse deducts for the year, in respect of that person, under sections 752.0.1 to 752.0.7, an amount under section 752.0.1, by virtue of paragraph *b* of the said section, or could deduct an amount under section 752.0.1, by virtue of the said paragraph, were it not for that person’s income for that year and for subparagraph *v* of the said paragraph.”

(2) This section applies from the taxation year 1988. However, where section 776.31 of the Taxation Act applies to the taxation year 1988, it shall read as follows:

**“776.31** For the purposes of this title, an individual has, during the year, a dependent child only if he or, where such is the case, his spouse deducts for the year, in respect of the child, under sections 752.0.1 to 752.0.7, an amount under section 752.0.1, by virtue of paragraph *b* of the said section, or could so deduct an amount under section 752.0.1, by virtue of the said paragraph, were it not for the child’s income for that year and for subparagraph *v* of the said paragraph and if subparagraph *ii* of the said paragraph read as follows:

“*ii.* who, during the year, is under 21 years of age, or is 21 years of age or over and is in full-time attendance at a school or university;”.

**135.** (1) Section 776.32 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

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

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

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

“(a) \$485 in respect of the individual contemplated therein;

“(b) \$485 in respect of the individual’s spouse during the year;

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

(2) This section applies from the taxation year 1988. However, where paragraph *c* of section 776.33 of the Taxation Act, enacted thereby, applies to the taxation year 1988, it shall be read by replacing the word “person”, wherever it appears, by the word “child”.

**137.** (1) Section 776.34 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended

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

“(a) 4% of the amount by which”;

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

“(b) the amount by which the total income for the year of the dependent person of the individual during the year contemplated in the first paragraph of section 776.32 exceeds \$5 280.”

(2) This section applies from the taxation year 1988. However, where paragraph *b* of section 776.34 of the Taxation Act, enacted thereby, applies to the taxation year 1988, it shall be read by replacing the word “person”, wherever it appears, by the word “child”.

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

“(a) \$6 330 where the individual referred to in section 776.32 has a spouse during the year;

“(b) \$5 340 where the individual has no spouse during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person, other than the individual or his dependent person, lives during the year; or

“(c) \$4 115 in other cases.”

(2) This section applies from the taxation year 1988. However, where paragraph *b* of section 776.35 of the Taxation Act, enacted thereby, applies to the taxation year 1988, it shall be read by replacing the word “person”, wherever it appears, by the word “child”.

**139.** (1) Section 776.36 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended

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

**“776.36** The aggregate to which subparagraph ii of paragraph *a* of section 776.34 refers is equal to five times the total of the amounts deducted under sections 752.0.1 to 752.0.7 for the year by the individual referred to in section 776.32 and, where such is the case, by his spouse during the year, except the amounts deducted under section 752.0.1, by virtue of subparagraph i of the said section for the year and the amounts deducted by the spouse for the year under section 752.0.1, by virtue of paragraph *a* of the said section and under

the first part of that part of the said section which precedes that paragraph.”;

(2) by replacing, in subparagraph *a* of the second paragraph, what precedes subparagraph ii by the following:

“(a) the amount deducted under section 752.0.1, by virtue of paragraph *a* of the said section, for the year by the individual referred to in section 776.32 is deemed to be equal to the amount the individual could deduct under the said paragraph for the year, if

i. the word “spouse” had the same meaning in the said paragraph *a* of section 752.0.1 as in paragraph *a* of section 776.29;”;

(3) by replacing subparagraphs *b* and *c* of the second paragraph by the following subparagraphs:

“(b) where, for the purposes of the first paragraph, the individual referred to in section 776.32 is deemed to deduct an amount under section 752.0.1, by virtue of paragraph *a* of the said section, for the year and the individual or his spouse during the year deducts an amount under section 752.0.1, by virtue of paragraph *e* of the said section, for the year the amount that the individual or his spouse deducts under section 752.0.1, by virtue of the said paragraph *e*, for the year is deemed nil;

“(c) where, for the purposes of the first paragraph, no amount is deemed to be deducted under section 752.0.1, by virtue of paragraph *a* of the said section, by an individual referred to in section 776.32 for a year and the individual deducts an amount under section 752.0.1, by virtue of paragraph *e* of the said section, for the year, the latter amount is deemed to be equal to the amount the individual could deduct under section 752.0.1, by virtue of paragraph *e* of the said section, for the year, if the person referred to therein had no income for that year;”;

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

“(d) the amount deducted under section 752.0.1, by virtue of paragraph *j* of the said section, for the year, by the individual referred to in section 776.32 and, where such is the case, his spouse during the year must be computed as if the amount of \$2 200 mentioned in the said paragraph were replaced by an amount of \$10 000.”

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

**140.** Section 776.41 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“776.41** The following amounts must be indexed annually so that each of the amounts to be used for a taxation year subsequent to the taxation year 1989 shall be the amount obtained by adding to that amount the amount obtained by multiplying by the same rate as that prescribed for the purposes of section 752.0.20 for that year the amount that would have been applicable for that year were it not for this section:

- (a) the amounts of \$485 and \$240 mentioned in section 776.33;
- (b) the amount of \$5 280 mentioned in section 776.34;
- (c) the amounts of \$6 330, \$5 340 and \$4 115 mentioned in section 776.35.

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

**141.** (1) Section 776.42 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended

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

**“776.42** Notwithstanding any other provision of this Act, where the amount that would represent the tax otherwise payable by an individual for a taxation year if it were computed pursuant to Book V without reference to sections 752.1 to 752.5, reduced by the amount determined in respect of the individual for the year under sections 1029.7, 1029.7.1, 1029.8, 1029.8.0.1, 1029.8.0.2, 1029.8.6, 1029.8.6.1, 1029.8.7, 1029.8.7.1, 1029.8.7.2, 1029.8.10 and 1029.8.11, is less than the product referred to in subparagraph *i* of paragraph *a*, in respect of the individual, the tax payable under this Part by the individual for the year, except in the case of a segregated fund trust within the meaning of paragraph *k* of section 835 or a mutual fund trust within the meaning of section 1120, is equal to the amount by which”;

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

“*i.* of the amount by which the minimum tax applicable to the individual for the year within the meaning of section 776.46 exceeds the aggregate of the amounts referred to in sections 772, 1029.10 and 1029.11; and

“ii. of the amounts the individual must add under section 752.2 to his tax otherwise payable for the year under this Part; exceeds”.

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

**142.** (1) Section 776.43 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended by replacing the second paragraph by the following paragraph:

“In such a case, section 776.42 shall be construed as if the proportion referred to in the second paragraphs of the said sections applied to the tax otherwise payable by the individual for the taxation year if it was computed under Book V without reference to sections 752.1 to 752.5.”

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

**143.** (1) Section 776.44 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“776.44** More precisely, it is understood that where the tax payable under this Part for the year by an individual is determined under this Book, an amount determined in respect of the individual under sections 1029.7, 1029.7.1, 1029.8, 1029.8.0.1, 1029.8.0.2, 1029.8.6, 1029.8.6.1, 1029.8.7, 1029.8.7.1, 1029.8.7.2, 1029.8.10, 1029.8.11, 1029.10 and 1029.11 is deemed not to have been paid by the Minister under this Part for the year.”

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

**144.** (1) Section 776.46 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“776.46** An individual’s minimum tax for a taxation year is equal to the amount determined by the formula

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

For the purposes of the formula referred to in the first paragraph,

(a) the letter A represents a rate of 16%;

(b) the letter B represents the adjusted taxable income of the individual for the year determined under Title IV;

(c) the letter C represents his basic exemption for the year determined under section 776.47;

(d) the letter D represents his basic minimum tax deduction for the year determined under section 776.65.”

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

**145.** (1) Section 776.47 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended by replacing what precedes paragraph *b* by the following:

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

(a) in the case of an individual other than a trust, the aggregate of \$40 000 and of the lesser of

i. 15% of his total income referred to in paragraph *j* of section 965.1; and

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

(2) This section applies from the taxation year 1988. However, in subparagraph ii of paragraph *a* of section 776.47 of the Taxation Act, enacted by this section, where it applies to

(a) the taxation year 1988, the words “the seven taxation years preceding or” shall be disregarded;

(b) the taxation year 1989, the words “the seven taxation years preceding” shall be replaced by the words “the taxation year preceding”;

(c) the taxation year 1990, the word “seven” shall be replaced by the word “two”;

(d) the taxation year 1991, the word “seven” shall be replaced by the word “three”;

(e) the taxation year 1992, the word “seven” shall be replaced by the word “four”;

(f) the taxation year 1993, the word “seven” shall be replaced by the word “five”;



(g) the taxation year 1994, the word “seven” shall be replaced by the word “six”.

**146.** (1) Section 776.50 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended by replacing paragraph *b* by the following paragraph:

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

(2) This section applies to property acquired after 31 December 1987.

**147.** (1) Section 776.54 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended

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

“**776.54** For the purposes of section 776.51, subject to section 776.64, the aggregate of all amounts deductible by the individual for the year under paragraph *a* of section 130 or section 726.4.1, 726.4.3 or 726.4.4 in computing his income or his taxable income, as the case may be, in respect of film properties shall be established as if it were equal to the lesser of”;

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

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

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

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

**148.** (1) Sections 776.55 and 776.56 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, are replaced by the following sections:

“**776.55** For the purposes of section 776.51, the aggregate of all amounts deductible by the individual in computing his taxable income for the year under sections 726.4.5, 726.4.6 and 726.4.7 in respect of film properties shall be established as if it were equal to the lesser of

(a) the aggregate of the amounts otherwise so deductible in computing his taxable income for the year; and

(b) the excess amount over the aggregate of all amounts deductible by the individual in computing his income or his taxable income, as the case may be, for the year under section 776.54 of the amount by which

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

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

**“776.56** For the purposes of section 776.51, except in respect of a disposition of property to which section 484 applies, the first paragraph of section 231 shall be construed as if the taxable capital gain, the allowable capital loss or the allowable business investment loss represented the total amount of the capital gain, of the capital loss or of the allowable business investment loss, as the case may be, from the disposition of property occurring after 31 December 1985, and section 265 shall be construed as if the taxable net gain represented the aggregate of the net gain from the disposition of precious property occurring after 31 December 1985.”

(2) Where this section replaces section 776.55 of the Taxation Act, it applies from the taxation year 1988.

(3) Where this section replaces section 776.56 of the Taxation Act, it applies from the taxation year 1986.

**149.** (1) Section 776.57 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended by replacing what precedes paragraph *b* by the following:

**“776.57** For the purposes of section 776.51, the aggregate of all amounts deductible by an individual in computing his income or his taxable income, as the case may be, for the year under sections 359 to 418.14, 419.1 to 419.4, 419.6, 600.1, 600.2, 726.4.9, or section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24) to the extent that section 86.4 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-4, r. 2) refers to paragraphs 10 and 12 of section 29 of the Income Tax Application Rules, 1971 (Statutes of Canada), shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible by the individual in computing his income or his taxable income, as the case may be, for the year; and”.

(2) This section applies from the taxation year 1988. However, where that part of section 776.57 of the Taxation Act which precedes paragraph *a*, enacted by this section, refers to section 419.6, it applies to a taxation year beginning after 31 December 1985.

**150.** (1) Section 776.59 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended by replacing what precedes paragraph *a* by the following:

**“776.59** For the purposes of section 776.51, the aggregate of all amounts deductible in computing the income of a trust for the year under sections 646 , 647, 652 to 657.1, 659, 660, 663, 664, 666 to 674, 676, 676.1 and 678 to 682, shall be established as if it were equal to the sum of the aggregate of all amounts otherwise deductible under the said sections and the aggregate of all amounts representing”.

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

**151.** (1) Section 776.60 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

**“776.60** For the purposes of section 776.51, the individual shall not deduct any amount for the year in computing his taxable income or his taxable income earned in Canada, as the case may be, under sections 725.2 to 725.6, 726.1, 726.3, 726.4, 726.4.31, 726.4.38 to 726.4.40 and 726.4.48 to 726.4.50.”

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

**152.** (1) Section 776.63 of the said Act, enacted by section 79 of chapter 4 of the statutes of 1988, is repealed.

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

**153.** (1) The said Act is amended by inserting, after section 776.64, the following:

## “TITLE V

### “BASIC MINIMUM TAX DEDUCTION

**“776.65** An individual’s basic minimum tax deduction for a taxation year is the aggregate of the amounts that he may deduct

under sections 752.0.1 to 752.0.7 and 752.0.11 to 752.0.15 in computing his tax payable for the year under this Part.

Where the first paragraph applies to an individual referred to in the second paragraph of section 22, 25 or 26, for the purpose of determining the basic minimum tax deduction of that individual for a taxation year, the amount that he may deduct under sections 752.0.1 to 752.0.7 and 752.0.11 to 752.0.15 in computing his tax payable for the year under this Part shall be determined without reference to the proportion referred to in section 752.0.23 or 752.0.25, as the case may be."

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

**154.** (1) The said Act is amended by inserting, after section 781, the following section:

**"781.1** For the purposes of this Part, a corporation is deemed not to be associated with any other corporation in a taxation year of the corporation ending during the period the corporation is a bankrupt within the meaning of section 777."

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

**155.** (1) Section 782 of the said Act, replaced by section 81 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**"782.** The trustee shall, within 90 days from the end of the calendar year for each year during which an individual is in bankruptcy file with the Minister a fiscal return, on a prescribed form, relating to the income from transactions of the bankrupt. In this respect, the trustee shall not, in computing the individual's taxable income or the tax payable by the individual under this Part, as the case may be, for each of those years, claim any deduction contemplated

(a) in Book IV of this Part, except those permitted by sections 727 to 737;

(b) in Chapters I.0.1 to I.0.4 of Title I of Book V of this Part;

(c) in Title VII of Book V of this Part."

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

**156.** (1) Section 859 of the said Act is replaced by the following section:

**“859.** A beneficiary must include in computing his income for a taxation year an amount that is allocated to him during the year, contingently or absolutely, by a trust under a profit sharing plan, except in the case of an allocation respecting an amount described in subparagraphs *a* to *d* of the first paragraph of section 857, a dividend received by the trust from a taxable Canadian corporation or an interest received by the trust.”

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

**157.** (1) Section 869 of the said Act is amended by replacing what precedes paragraph *a* by the following:

**“869.** Where interest has been included in computing the income of a trust for a taxation year during which the trust is governed by a profit sharing plan and an amount not exceeding that interest has been allocated for the year by the trustee under the plan to one of its beneficiaries for the purposes of this section, each of such beneficiaries is deemed to have received interest equal to the lesser of”.

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

**158.** (1) Section 908 of the said Act, amended by section 73 of chapter 18 of the statutes of 1988, is again amended by replacing the second paragraph of subsection 2 by the following paragraph:

“For the purposes of paragraph *b* of the first paragraph, it is assumed, unless the contrary is established, that an annuitant’s child or grandchild was not financially dependent on him at the time of his death if

(*a*) another person was permitted a deduction provided for in section 752.0.1 in respect of that child or grandchild in computing his income payable under this Part for the taxation year immediately preceding the taxation year in which the annuitant died, by virtue of paragraph *b* or *c* of the said section, where the child or grandchild was, during that preceding taxation year, under 18 years of age or by virtue of paragraph *g* of the said section; or

(*b*) the income of the child or grandchild for the taxation year immediately preceding the taxation year in which the annuitant died exceeded \$5 000.”

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

**159.** (1) Section 965.1 of the said Act, amended by section 175 of chapter 67 of the statutes of 1987 and by section 82 of chapter 4 of the statutes of 1988, is again amended

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

“(b.3) “valid share” means a share described in section 965.9.7.1 or 965.9.7.2;”;

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

“(c.1) “paid-up capital”

i. in respect of a share of the capital stock of a corporation means the amount appearing in its books in the capital stock account in respect of that share and any amount appearing elsewhere in its books and received in consideration for the issue of that share;

ii. in respect of a subscription right in a share of the capital stock of a corporation means the amount appearing in its books in the capital stock account in respect of that right and received in consideration for the issue of that right;”;

(3) by replacing paragraph *h.0.1* by the following paragraph:

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

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

“(j) “total income” in respect of an individual for a year means the amount by which his income for the year that would be determined under section 28 but for paragraph *k.1* of section 311, section 311.1 and section 317 where it refers to a supplement or a spouse’s allowance received under the Old Age Security Act (Statutes of Canada) or to a payment similar to such a supplement or spouse’s allowance made under a provincial law, exceeds the amount he deducts for the year in computing his taxable income under sections 726.6 to 726.20;”.

(2) Where this section enacts paragraph *b.3* of section 965.1 of the Taxation Act, it has effect from 1 June 1988.

(3) Where this section enacts paragraph *c.1* of section 965.1 of the Taxation Act, it has effect from 7 May 1986.

(4) Where this section replaces paragraph *h.0.1* of section 965.1 of the Taxation Act, it applies in respect of a public security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 12 May 1988.

(5) Where this section replaces paragraph *j* of section 965.1 of the Taxation Act, it applies from the taxation year 1988.

**160.** (1) Section 965.2 of the said Act, amended by section 83 of chapter 4 of the statutes of 1988, is again amended by replacing the first paragraph by the following paragraph:

**“965.2** A stock savings plan is an arrangement made between an individual who is not a trust, or an investment group and a dealer, under which that individual or investment group entrusts to that dealer the custody of such of his qualifying shares and valid shares as he may indicate that are not included in any other plan of any kind for the purposes of this Act, except a prescribed plan.”

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

**161.** (1) Section 965.3.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“965.3.1** The assets of a corporation which is associated with another corporation in the 12 months preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, are the aggregate of the assets of the corporation and of each corporation associated with it, as determined under section 965.3 or 965.3.2, as the case may be, less the amount of investments the corporations own in each other, and less the balance of accounts between the corporations.”

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

**162.** (1) Section 965.4.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“965.4.1** The net shareholders' equity of a corporation which is associated with another corporation in the 12 months preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus is the aggregate of the net shareholders' equity of the corporation and of each corporation associated with it, as determined under section 965.4 or 965.4.1.1, as the case may be, less the amount of investments the corporations own in each other.”

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

**163.** (1) Section 965.6 of the said Act, amended by section 86 of chapter 4 of the statutes of 1988, is again amended by replacing paragraph *d* by the following paragraph:

“(d) 100% in the case of any other qualifying share.”

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

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

**“965.6.0.2.1** The adjusted cost of a share that is a valid share for an individual, an investment group or an investment fund is obtained by multiplying the cost of the share for the individual, the investment group or the investment fund, determined without reference to the borrowing costs, brokerage or custody fees or other similar costs related to the share, by

(a) 125% in the case of a valid share issued by a corporation described in section 965.11.7.1;

(b) 100% in the case of a valid share that is a common share with full voting rights or a preferred share convertible into a common share with full voting rights; or

(c) 75% in the case of a valid share that is a subordinate voting share or a preferred share convertible into a subordinate voting share.”

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

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

“(a) the percentage stipulated in that respect in the final prospectus or in the application for an exemption from filing a prospectus relating to its issue; or

“(b) where it is so stipulated in the final prospectus or in the application for an exemption from filing a prospectus relating to its issue, the percentage determined not later than 60 days after the year of its issue and obtained by estimating, as a percentage, the proportion between the ratio of the adjusted cost of the aggregate of all qualifying shares purchased in that year by the investment fund, to the proceeds of the issue of the valid qualifying securities issued in the year and held on 31 December in that year by the investment fund, and the proceeds of the issue.”

(2) This section applies in respect of an issue of securities in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 12 May 1988.



**166.** (1) Section 965.6.1 of the said Act is replaced by the following section:

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

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

**167.** (1) Section 965.6.22 of the said Act, enacted by section 91 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“965.6.22** An investment fund shall be established in Québec and the trustee or the administrator of an investment fund shall be resident in Canada and maintain an establishment in Québec.”

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

**168.** (1) Section 965.6.23 of the said Act, enacted by section 91 of chapter 4 of the statutes of 1988, is amended

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

**“965.6.23** When making, in any year, a public security issue consisting of securities that may be included in a stock savings plan, the investment fund shall stipulate in the final prospectus or in the application for an exemption from filing a prospectus relating to their issue that it agrees to meet the following requirements:”;

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

“(c) to be the owner, on 31 December in the year and in each of the ensuing two years, of qualifying shares or valid shares, other than qualifying shares or valid shares that have already been used in respect of the same year for the purposes of this paragraph, whose adjusted cost is not less than the adjusted cost of the aggregate of all qualifying securities issued by the fund in the year and not redeemed by the investment fund respectively on 31 December in the year, 31 December in the first year following the year or 31 December in the second year following the year, as the case may be.”

(2) Where this section replaces what precedes paragraph *a* of section 965.6.23 of the Taxation Act, it applies in respect of an issue of securities in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 12 May 1988.

(3) Where this section replaces paragraph *c* of section 965.6.23 of the Taxation Act, it has effect from 1 January 1988. However, where paragraph *c* of the said section, enacted by this section, refers to a valid share, it has effect from 1 June 1988.

**169.** (1) Section 965.6.24 of the said Act, enacted by section 91 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“965.6.24** Where an investment fund stipulates, in a final prospectus or in an application for an exemption from filing a prospectus relating to a public security issue, the percentage to be used for the purposes of paragraph *a* of section 965.6.0.3, it shall also stipulate the portion of the adjusted cost of the qualifying security to be considered as the portion that may reasonably be allocated to the purchase of qualifying shares referred to in paragraphs *a.3*, *c*, *c.4* and *c.6* of section 965.6.”

(2) This section applies in respect of an issue of securities in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 12 May 1988.

**170.** (1) Section 965.9.1 of the said Act, amended by section 93 of chapter 4 of the statutes of 1988, is again amended by striking out the second paragraph.

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

**171.** (1) Section 965.9.4 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) where such shares or negotiable instruments are securities issued by a corporation whose corporate name is disclosed in the final prospectus or in the application for an exemption from filing a prospectus if, immediately after the acquisition, the latter corporation is directly or indirectly a subsidiary controlled corporation of the issuing corporation whose activities or those of a subsidiary corporation it controls directly or indirectly have commercial possibilities directly linked with those of the issuing corporation or of another corporation associated therewith on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and where one of the corporations other than such a subsidiary carries on a qualified business; or

“(b) where such shares or negotiable instruments will be securities issued by a corporation whose corporate name is not disclosed in the final prospectus or in the application for an exemption from filing a prospectus, if the issuing corporation or a corporation

associated therewith carries on a qualified business and where the issuing corporation states expressly in the final prospectus or in the application for an exemption from filing a prospectus that such shares or negotiable instruments will be securities issued by a corporation which, immediately after the acquisition, will be directly or indirectly a subsidiary controlled corporation of the issuing corporation whose activities or those of a subsidiary corporation it controls directly or indirectly have commercial possibilities directly linked with the activities of the issuing corporation or those of another corporation associated therewith on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) This section applies from the taxation year 1988. However, where this section applies to the taxation year 1988, paragraphs *a* and *b* of section 965.9.4 of the Taxation Act, enacted by this section, shall read as follows:

“(a) where such shares or negotiable instruments are securities issued by a corporation whose corporate name is disclosed in the final prospectus or in the application for an exemption from filing a prospectus if, immediately after the acquisition, the latter corporation is directly or indirectly a subsidiary controlled corporation of the issuing corporation whose activities or those of a subsidiary corporation it controls directly or indirectly have commercial possibilities directly linked with those of the issuing corporation or of another corporation associated therewith on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and where one of the corporations other than such a subsidiary carries on a qualified business within the meaning of the regulations under section 451; or

“(b) where such shares or negotiable instruments will be securities issued by a corporation whose corporate name is not disclosed in the final prospectus or in the application for an exemption from filing a prospectus, if the issuing corporation or a corporation associated therewith carries on a qualified business within the meaning of the regulations under section 451 and where the issuing corporation states expressly in the final prospectus or in the application for an exemption from filing a prospectus that such shares or negotiable instruments will be securities issued by a corporation which, immediately after the acquisition, will be directly or indirectly a subsidiary controlled corporation of the issuing corporation whose activities or those of a subsidiary corporation it controls directly or indirectly have commercial possibilities directly linked with the activities of the issuing corporation or those of another corporation associated therewith on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

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

“CHAPTER III.1

“VALID SHARES

**“965.9.7.1** A share of a class of the capital stock of a corporation is a valid share if

(a) it is acquired through a transaction on a stock exchange during a trading session;

(b) at the time of its acquisition, it is listed on the Montréal Stock Exchange;

(c) on the date of its acquisition, the class of shares of the capital stock of the corporation to which the share belongs is included in the list of the Commission des valeurs mobilières du Québec; and

(d) as part of its acquisition, the certificate attesting to it is given to the dealer referred to in section 965.2 or issued and registered in the dealer’s name or in the name of a person designated by him.

**“965.9.7.2** A share of a class of the capital stock of a corporation is also a valid share if

(a) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary or as firm underwriter;

(b) at the time of its acquisition, it is listed on the Montréal Stock Exchange;

(c) it is issued by the corporation as part of a share issue referred to in the second paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17;

(d) on the date of its acquisition, the class of shares of the capital stock of that corporation to which the share belongs is included in the list of the Commission des valeurs mobilières du Québec; and

(e) as part of its acquisition, the certificate attesting to it is given to the dealer referred to in section 965.2 or issued and registered in the dealer’s name or in the name of a person designated by him.

**“965.9.7.3** For the purposes of this title, the expression “list of the Commission des valeurs mobilières du Québec” means the list

published periodically by the Commission des valeurs mobilières du Québec which contains the corporate names of the corporations and the designation of those classes of shares of their capital stock which may constitute valid shares.

## “CHAPTER III.2

### “QUALIFYING SECURITIES”.

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

**173.** (1) Section 965.9.8 of the said Act, enacted by section 97 of chapter 4 of the statutes of 1988, is amended

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

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

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

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

(2) This section applies in respect of a public security issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 12 May 1988.

**174.** (1) The said Act is amended by inserting, after section 965.11.9, the following section:

**“965.11.9.1** For the purposes of this title, a corporation that makes a transaction referred to in the first paragraph of section 965.11.8 or 965.11.9, hereinafter called the “particular transaction”, is not required to meet the requirement set out in the second paragraph of section 965.11.8 or 965.11.9, where applicable, in respect of the particular transaction if the aggregate of the amount referred to in the second paragraph of section 965.11.8 or 965.11.9, as the case may be, for the particular transaction and of every amount referred to in the second paragraph of the said sections for other transactions referred to in the first paragraph of the said sections and made during the period which begins on the three-hundred and sixty-fourth day preceding the day of the particular transaction and ends immediately

before the particular transaction is made is less than 5% of the amount, determined immediately before the particular transaction is made, of the paid-up capital

(a) relating to the shares of its capital stock other than shares described in paragraphs *a* to *d* of section 965.11.12 in the case of a transaction referred to in the first paragraph of section 965.11.8, and in paragraphs *a* to *d* of section 965.11.14 in the case of a transaction referred to in the first paragraph of section 965.11.9, it being supposed that, where applicable, the descriptions contained in paragraphs *a* to *d* of sections 965.11.12 and 965.11.14 existed at the time the corporation made such transactions; and

(b) to the subscription rights in shares referred to in paragraph *a*.”

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

**175.** (1) The said Act is amended by inserting, after section 965.11.19, the following sections:

**“965.11.19.1** For the purposes of this title, a corporation that makes a transaction referred to in the first paragraph of section 965.11.11, 965.11.13 or 965.11.17, hereinafter called the “particular transaction” is not required to meet the requirement set out in the second paragraph of section 965.11.11, 965.11.13 or 965.11.17, where applicable, in respect of the particular transaction if the aggregate of the amount referred to in the second paragraph of section 965.11.11, 965.11.13 or 965.11.17, as the case may be, for the particular transaction and of every amount referred to in the second paragraph of the said sections for other transactions referred to in the first paragraph of the said sections and made during the period which begins on the three-hundred and sixty-fourth day preceding the day of the particular transaction and ends immediately before the particular transaction is made is less than 5% of the amount, determined immediately before the particular transaction is made, of the paid-up capital

(a) relating to the shares of its capital stock other than shares described in section 965.11.12, 965.11.14 or 965.11.18; and

(b) relating to the subscription rights in shares referred to in paragraph *a*.

**“965.11.19.2** For the purposes of this title, a corporation that plans to make an issue of shares that can be included in a stock savings plan as qualifying shares, no share of the capital stock of which was

issued with a stipulation that it could be included in a stock savings plan or was issued, as a result of a transaction referred to in section 541 or 544 other than a transaction referred to in section 555.1, in replacement or substitution for a share issued with such a stipulation, and that makes before the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to its issue or has made a transaction referred to in the first paragraph of section 965.11.11, 965.11.13 or 965.11.17, hereinafter called the "particular transaction", is not required to meet the requirement set out in the second paragraph of section 965.11.11, 965.11.13 or 965.11.17, where applicable, in respect of the particular transaction, if the aggregate of the amount referred to in the second paragraph of section 965.11.11, 965.11.13 or 965.11.17, as the case may be, for the particular transaction and of every amount referred to in the second paragraph of the said sections for other transactions referred to in the first paragraph of the said sections and made during the period which begins on the three-hundred and sixty-fourth day preceding the day of the particular transaction and ends immediately before the particular transaction is made is less than 10% of the amount of the public share issue that the corporation plans to make.

**"965.11.19.3** Notwithstanding sections 965.11.8 to 965.11.19.2, a corporation may make a transaction referred to in the said sections without having to meet the requirement set out in the second paragraph of section 965.11.8, 965.11.9, 965.11.11, 965.11.13 or 965.11.17 if, in the opinion of the Minister, an undesirable situation would otherwise result therefrom."

(2) Where this section enacts sections 965.11.19.1 and 965.11.19.2 of the Taxation Act, it has effect from 17 December 1986 and where it enacts section 965.11.19.3 of the said Act, it has effect from 7 May 1986.

**176.** (1) Section 965.13 of the said Act is amended

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

"(b) it carries on, as its main activity, a qualified business;";

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

"(d) its assets are less than \$50 000 000; and".

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

(3) Paragraph 2 of subsection 1 applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 12 May 1988.

**177.** (1) Section 965.15 of the said Act, amended by section 105 of chapter 4 of the statutes of 1988, is again amended by replacing paragraph *c* by the following paragraph:

“(c) the net shareholders’ equity is not more than \$20 000 000; and”.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 12 May 1988.

**178.** (1) Section 965.16 of the said Act, amended by section 106 of chapter 4 of the statutes of 1988, is again amended

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

“**965.16** A qualified corporation making a public share issue after 15 November 1983 is also a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”;

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

“(e) the main activity of the corporation and of its subsidiaries is the carrying on of a qualified business.”

(2) Paragraph 1 of subsection 1 has effect from 13 May 1988.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1989.

**179.** (1) Section 965.16.0.1 of the said Act, amended by section 107 of chapter 4 of the statutes of 1988, is again amended

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

“**965.16.0.1** A qualified corporation making a public share issue after 1 May 1986 is a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,”;

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

“(e) the main activity of the corporation and of its subsidiaries is the carrying on of a qualified business.”



(2) Paragraph 1 of subsection 1 has effect from 13 May 1988.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1989.

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

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

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

**181.** (1) Section 965.18 of the said Act, replaced by section 110 of chapter 4 of the statutes of 1988, is amended by replacing paragraph *a* by the following paragraph:

“(a) the aggregate of the adjusted cost of the qualifying shares purchased by him during the year and that he included in the plans not later than 31 January of the following year and of the qualifying securities purchased by him during the year and that he included in the plans not later than 31 January of the following year and that constitute valid qualifying securities for the year; and”.

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

**182.** (1) Section 965.19 of the said Act, replaced by section 110 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“965.19** In no case may the amount of the deduction provided for in section 965.18 in respect of an individual exceed the lesser of the aggregate determined under section 965.19.1 and 10% of his total income for the year.”

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

**183.** (1) Section 965.19.1 of the said Act, enacted by section 110 of chapter 4 of the statutes of 1988, is amended by replacing paragraph *c* by the following paragraph:

“(c) the adjusted cost of the qualifying securities issued by an investment fund, other than that portion of the adjusted cost which

may reasonably be attributed to the purchase by the investment fund of qualifying shares referred to in paragraphs *a.3*, *c*, *c.4* and *c.6* of section 965.6, that the individual purchased during the year, that he included in a stock savings plan not later than 31 January of the following year and that constitute valid qualifying securities for the year."

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

**184.** (1) The said Act is amended by inserting, after section 965.19.1, the following section:

**"965.19.1.1** For the purposes of sections 965.18 to 965.19.1, a qualifying share, other than a qualifying share referred to in paragraph *b*, *b.1*, *c* or *c.4* of section 965.6 or in paragraph *c.1*, *c.2*, *c.3* or *d* of section 965.6 where the assets of the issuing corporation are \$250 000 000 or more, that the individual purchased between 1 January 1988 and 29 February 1988 and that he included in a stock savings plan not later than 31 March 1988, is deemed to have been purchased by him in 1987 and included in 1987 in a stock savings plan under which he is the beneficiary."

(2) This section applies in respect of the taxation year 1987.

**185.** (1) Section 965.19.2 of the said Act is replaced by the following section:

**"965.19.2** For the purposes of sections 965.18 to 965.19.1, where the individual contemplated therein is a member of an investment group and that group purchased and included, at a particular time, a qualifying share or a valid share in a stock savings plan under which it is a beneficiary, the said share constitutes, up to the amount of the individual's interest in the investment group indicated in the declaration filed with the dealer or, where such is the case, determined in paragraph *c* of section 965.6.5 or in paragraph *b* of section 965.6.6, a share purchased and included at the same time in a stock savings plan under which the individual is a beneficiary."

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

**186.** (1) Section 965.22 of the said Act is amended by replacing the first paragraph by the following paragraph:

**"965.22** The splitting or replacement, without any consideration other than a share, following a transaction occurring after 10 May 1983 and described either in section 301 in respect of a preferred share contemplated in subparagraph *a* of the first

paragraph of section 965.9 or subparagraph c of the first paragraph of section 965.9.1 or in section 536, 541 or 544 in respect of a common share, of a qualifying share included in a stock savings plan does not entail the withdrawal of the share from the plan if the requirement set out in paragraph g of section 965.7 is met in relation to each share issued in respect of the split or replaced share.”

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

**187.** (1) Section 965.26 of the said Act is replaced by the following section:

**“965.26** The dealer or federation shall ensure that every qualifying share to be included in a stock savings plan has been acquired for money consideration as part of a public share issue by an individual or an investment group as first purchaser, other than a dealer acting as an intermediary or firm underwriter, that the certificate for the share has been transmitted to him directly by the issuer of the certificate or by another dealer or federation certifying that the certificate was held, without interruption from its issue, by a dealer acting as an intermediary or firm underwriter or by such a federation, and that the qualified corporation that issued the share has stated, in the final prospectus or in the application for an exemption from filing a prospectus, that the share could be included in a stock savings plan.”

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

**188.** (1) The said Act is amended by inserting, after section 965.26, the following section:

**“965.26.0.1** The dealer shall ensure that every valid share to be included in a stock savings plan meets the requirements set out in section 965.9.7.1 or 965.9.7.2, as the case may be.”

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

**189.** (1) Section 965.31 of the said Act is replaced by the following section:

**“965.31** The unused adjusted qualified investment deduction of a venture capital corporation for a taxation year is the amount by which 20 % of the aggregate of the amounts representing its adjusted interest in a qualified investment for each of the preceding five taxation years exceeds the aggregate of the amounts deducted under this title for the said preceding taxation years in respect of those amounts.”

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

**190.** (1) Section 965.31.1 of the said Act is amended by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) in the case of a qualified investment made before 2 May 1986, 100 % of the amount of his or its interest in the qualified investment;

“(b) in the case of a qualified investment made after 1 May 1986 by a Québec business investment company other than such a corporation referred to in paragraph *c*, *d* or *e*, 100 % of the amount of his or its interest in the qualified investment without exceeding 100 % of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(c) in the case of a qualified investment made after 1 May 1986 by a Québec business investment company referred to in section 4.1 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), 125 % of the amount of his or its interest in the qualified investment without exceeding 125 % of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

“(d) in the case of a qualified investment made after 12 May 1988 by a Québec business investment company referred to in section 4.2 of the Act respecting Québec business investment companies, 125 % of the amount of his or its interest in the qualified investment without exceeding 125 % of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment; or

“(e) in the case of a qualified investment made after 12 May 1988 by a Québec business investment company referred to in section 4.3 of the Act respecting Québec business investment companies, 150 % of the amount of his or its interest in the qualified investment without exceeding 150 % of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment.”

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

**191.** (1) The said Act is amended by inserting, after section 965.31.2, the following section:

**“965.31.3** For the purposes of this title, where an individual or a venture capital corporation, hereinafter called the “heir”, acquires by succession or will a share of a Québec business investment company, the following rules apply:

(a) the cost of the share for the heir is deemed to be equal to the cost of the share for the deceased shareholder determined without taking into account the borrowing costs and other costs related to the acquisition thereof or the custody fees;

(b) the interest of the heir in a qualified investment in respect of a qualified investment made by the Québec business investment company after the death of the shareholder but before the share is distributed or transferred to the heir is deemed to be, for the heir, an interest in a qualified investment for the year during which the share is allocated or transferred to him or it, and is deemed not to be, for the heir, an interest in a qualified investment for the year during which the Québec business investment company makes the qualified investment.”

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

**192.** (1) Section 965.33 of the said Act is replaced by the following section:

**“965.33** A venture capital corporation may deduct, from its tax otherwise payable for a taxation year under this Part computed without reference to this Title, an amount not exceeding the sum of 20% of the aggregate of the amounts representing its adjusted interest in a qualified investment for the year and its unused adjusted qualified investment deduction for the year.”

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

**193.** (1) Section 965.34 of the said Act is replaced by the following section:

**“965.34** An individual or a venture capital corporation that avails himself or itself of this Title shall attach to his or its fiscal return filed for a taxation year under section 1000 a statement in prescribed form of his or its investments in a Québec business investment company of which he or it is a shareholder and a copy of the statements in prescribed form received by him or it from the Société de développement industriel du Québec for the year in respect of those investments.”

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

**194.** (1) Section 965.38 of the said Act, replaced by section 117 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“965.38** Notwithstanding section 965.37, in no case may the amount of the deduction provided for in the said section in respect of an individual for a year exceed 10% of his total income for the year.”

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

**195.** (1) Section 997 of the said Act is amended by replacing paragraph *f* by the following paragraph:

**“(f)** an additional amount of \$2 000 may be deducted in computing its taxable income for each taxation year but no deduction is permitted under sections 738 to 749;”.

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

**196.** (1) Section 1003 of the said Act is amended by replacing paragraph *d* by the following paragraph:

**“(d)** subject to sections 693.1 and 752.0.26, that other person were entitled to the deductions to which the taxpayer was entitled under sections 710 to 725.7 and 752.0.1 to 752.0.18 for the period in computing his taxable income or his tax payable under this Part, as the case may be, for the period.”

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

**197.** (1) Section 1012 of the said Act is replaced by the following section:

**“1012.** Where a taxpayer has filed the fiscal return required under section 1000 for a taxation year and where following that, not later than the day on or before which he is required to file such fiscal return for the subsequent taxation year relating to the amount contemplated in section 1012.1 or would be required to file it if he had to pay any tax under this Part for that subsequent taxation year, that amount shall be included in computing the taxpayer's taxable income or, as the case may be, claimed as a deduction by him or for his account for the taxation year by sending to the Minister, on the prescribed form, an application to amend the fiscal return for the taxation year, and the Minister shall reassess the taxpayer's tax for any relevant taxation year that is not a taxation year previous to the taxation year, to take into account the amount included in computing his taxable income or claimed as a deduction.”

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

**198.** (1) Section 1012.1 of the said Act, amended by section 182 of chapter 67 of the statutes of 1987 and by section 119 of chapter 4 of the statutes of 1988, is again amended

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

**“1012.1** For the purposes of section 1012, the amount that may be included in computing the taxpayer’s taxable income or claimed as a deduction by him or for his account for a taxation year is the amount that the taxpayer may include or deduct, as the case may be, for that taxation year under”;

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

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

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

**199.** (1) Section 1029.2 of the said Act is amended by replacing subparagraph *i* of paragraph *a* by the following subparagraph:

“i. such proportion of 3.2175 % of the amount by which such loss exceeds the portion of the loss it deducted in computing its taxable income for each of the three preceding years, as is represented by the ratio between its business carried on in Québec during the particular year and the aggregate of its business carried on in Québec and elsewhere during the latter year as established under subsection 2 of section 771; and”.

(2) This section applies to a taxation year ending after 12 May 1988.

**200.** (1) Section 1029.7 of the said Act, amended by section 183 of chapter 67 of the statutes of 1987, section 123 of chapter 4 of the statutes of 1988 and section 113 of chapter 18 of the statutes of 1988, is again amended by replacing the first, second and third paragraphs by the following paragraphs:

**“1029.7** A taxpayer not mentioned in section 984 or 985, who carries on a business in Canada and undertakes or causes to be undertaken, on his behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, is deemed to have paid to the Minister, for the taxation year during which the research and development were undertaken, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 20 % of the wages he has paid in respect of the research and development to his employees of an

establishment situated in Québec and of the portion of the remuneration that he has paid in respect of the research and development to a person who has undertaken all or part of the research and development that may be attributed to the wages of the employees of an establishment of that person situated in Québec or would be if he had such employees.

Furthermore, for the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026 or 1027, the taxpayer is deemed to have paid to the Minister as partial payment of his tax payable for the year pursuant to this Part, on the date on or before which each payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment.

For the purposes of the first paragraph, the wages and remuneration paid by a taxpayer include only the wages and remuneration that

(a) constitute, for the taxpayer, a deductible expenditure referred to in subsection 1 of section 222, other than an expenditure referred to in paragraph *e* of the said subsection which, but for subsection 3 of section 175.1, would not be deductible;

(b) do not constitute

i. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 in respect of which section 1029.8.6 applies;

ii. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.10 applies;

iii. all or part of an amount to which section 1029.7.1 or 1029.8.6.1 applies;

iv. an amount deducted by the taxpayer by virtue of section 726.4.38 or 726.4.48."

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

**201.** (1) The said Act is amended by inserting, after section 1029.7, the following sections:



**“1029.7.1** An individual is, in respect of an amount he may deduct in computing his taxable income for his taxation year 1988 pursuant to section 726.4.38, or could so deduct pursuant to the said section on the assumption that he has sufficient income for that purpose, except to the extent that he has deducted such an amount in the computation pursuant to that section, is deemed to have paid to the Minister, for his taxation year 1988, as partial payment of his tax payable for the year pursuant to this Part, an amount equal to 20% of the part of that amount that can reasonably be considered to be either the wages he has paid in respect of scientific research and experimental development within the meaning of the regulations made pursuant to section 222 to his employees of an establishment situated in Québec or of the remuneration he has paid in respect of the research and development to a person who has undertaken all or part of the research and development that may be attributed to the wages of the employees of an establishment of that person situated in Québec or would be if he had such employees.

Furthermore, for the purpose of computing the payments that an individual referred to in the first paragraph is required to make under section 1025 or 1026, the individual is deemed to have paid to the Minister as partial payment of his tax payable for the year pursuant to this Part, on the date on or before which each payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment.

For the purposes of the first paragraph, the wages and remuneration paid by an individual include only the wages and remuneration that

(a) constitute, for the individual, a deductible expenditure referred to in subsection 1 of section 222, other than an expenditure referred to in paragraph *e* of the said subsection which, but for subsection 3 of section 175.1, would not be deductible;

(b) do not constitute

i. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 in respect of which section 1029.8.6.1 applies;

ii. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.10 applies;

iii. an amount deducted by the individual by virtue of section 726.4.48.

For the purposes of this section, “wages” means income computed under Chapters I and II of Title II of Book III of this Part.

**“1029.7.2** Where the taxpayer referred to in section 1029.7 is a corporation that has been, during the whole taxation year contemplated therein, a Canadian-controlled private corporation and the assets or the net shareholders’ equity shown in its books and financial statements submitted to the shareholders for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than \$25 000 000 or no more than \$10 000 000, respectively, the rate of 20 % mentioned in the said section shall be replaced by a rate of 40 %, to the extent that it is applied to the wages and portion of the remuneration contemplated therein, the aggregate of which does not exceed the expenditure limit of the corporation for the year.

**“1029.7.3** For the purposes of section 1029.7.2, in computing the assets or the net shareholders’ equity of a corporation at the time contemplated therein, the amount representing the surplus reassessment of its property and the amount of its intangible assets shall be subtracted, to the extent that the amount indicated in their respect exceeds the expenditure made in their respect.

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

**“1029.7.4** For the purposes of section 1029.7.2, the assets of a corporation that is associated in a taxation year with one or more other corporations is equal to the amount by which the aggregate of the assets of the corporation and of each corporation associated with it, as determined under sections 1029.7.2 and 1029.7.3, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

**“1029.7.5** For the purposes of section 1029.7.2, the net shareholders’ equity of a corporation that is associated in a taxation year with one or more other corporations is equal to the amount by which the aggregate of the net shareholders’ equity of the corporation and of each corporation associated with it, as determined under sections 1029.7.2 and 1029.7.3, exceeds the amount of investments in shares the corporations own in each other.

**“1029.7.6** For the purposes of sections 1029.7.2 to 1029.7.5, where a corporation or a corporation associated with it reduces its assets or the net shareholders’ equity by any transaction in a taxation year and where, but for that reduction, the corporation would not be contemplated in section 1029.7.2, the assets are, or the net shareholders’ equity is, as the case may be, deemed not to have been so reduced unless the Minister decides otherwise.

**“1029.7.7** For the purposes of section 1029.7.2, the expenditure limit of a corporation for a taxation year equals \$2 000 000, except where the corporation is associated in the year with one or more other Canadian-controlled private corporations in which case, subject to sections 1029.7.8 to 1029.7.10, its expenditure limit for the year is nil.

**“1029.7.8** Notwithstanding section 1029.7.7, where all of the Canadian-controlled private corporations that are associated with each other in a taxation year have filed with the Minister, in prescribed form, an agreement whereby, for the purposes of section 1029.7.2, they allocate an amount to one or more of them for the taxation year and the amount or the aggregate of the amounts so allocated, as the case may be, equals \$2 000 000, the expenditure limit for the year of each of the corporations is equal to the amount so allocated to it.

**“1029.7.9** If any of the Canadian-controlled private corporations that are associated with each other in a taxation year fails to file with the Minister an agreement as contemplated in section 1029.7.8 within thirty days after notice in writing by the Minister is forwarded to any of them that such an agreement is required for the purpose of any assessment of tax under this Part, the Minister shall, for the purposes of section 1029.7.2, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal \$2 000 000, and in any such case, notwithstanding section 1029.7.7, the expenditure limit for the year of each of the corporations equals the amount so allocated to it.

**“1029.7.10** Notwithstanding any other provision of this division

(a) where a Canadian-controlled private corporation, called “the first corporation” in this section, has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another Canadian-controlled private corporation that has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is associated with the other corporation ending in that

calendar year is, subject to paragraph *b*, an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph *b*; and

(*b*) where a Canadian-controlled private corporation has a taxation year that is less than fifty-one weeks, its expenditure limit for the year is that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365."

(2) This section, where it enacts section 1029.7.1 of the Taxation Act, applies to the taxation year 1988 of an individual.

(3) This section, where it enacts sections 1029.7.2 to 1029.7.10 of the Taxation Act, applies in respect of wages and remuneration paid after 12 May 1988 for expenditures made after 12 May 1988.

**202.** (1) Section 1029.8 of the said Act, amended by section 184 of chapter 67 of the statutes of 1987, section 124 of chapter 4 of the statutes of 1988 and section 114 of chapter 18 of the statutes of 1988, is again amended

(1) by replacing the first, second and third paragraphs by the following paragraphs:

**"1029.3** Where a partnership carries on a business in Canada and undertakes or causes to be undertaken, on its behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, every taxpayer, other than a taxpayer mentioned in section 984 or 985, who is a member of the partnership at the end of a fiscal period of the latter during which the research and development were undertaken and who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 20% of the wages the partnership has paid during the fiscal period in respect of the research and development to its employees of an establishment situated in Québec and of the portion of the remuneration that the partnership has paid during the fiscal period in respect of the research and development to a person who has undertaken all or part of the research and development, that may be attributed to the wages paid to the employees of an establishment of that person situated in Québec or would be if he had such employees.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026 or 1027, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of his tax payable for the year pursuant to this Part, the amount determined for the year in his respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment.”;

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

“(b) do not constitute

i. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 in respect of which section 1029.8.7 applies;

ii. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.11 applies;

iii. all or part of an amount to which section 1029.8.0.1 or 1029.8.7.1 applies;

iv. an amount deducted by the taxpayer by virtue of section 726.4.39 or 726.4.49.”;

(3) by striking out the fifth paragraph.

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

**203.** (1) The said Act is amended by inserting, after section 1029.8, the following sections:

**“1029.8.0.1** An individual is, in respect of an amount he may deduct in computing his taxable income for his taxation year 1988 pursuant to section 726.4.39 or could so deduct pursuant to the said section on the assumption that he has sufficient income for that purpose, except to the extent that he has deducted such an amount in the computation pursuant to that section, deemed to have paid to the Minister, for his taxation year 1988, as partial payment of his tax

payable for the year pursuant to this Part, an amount equal to 20 % of part of an amount that can reasonably be considered to be his portion of the wages the partnership referred to in the said section 726.4.39 has paid in respect of scientific research and experimental development within the meaning of the regulations made pursuant to section 222 to its employees of an establishment situated in Québec or of the remuneration the partnership has paid in respect of the research and development to a person who has undertaken all or part of the research and development that may be attributed to the wages of the employees of an establishment of that person situated in Québec or would be if he had such employees.

Furthermore, for the purposes of computing the payments that an individual referred to in the first paragraph is required to make under section 1025 or 1026, for his taxation year 1988 in which the fiscal period of the partnership ends, the individual is deemed to have paid to the Minister, as partial payment of his tax payable for the year pursuant to this Part, the amount determined for the year in his respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the individual is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment.

For the purposes of the first paragraph, the wages and remuneration paid by a partnership include only the wages and remuneration that

(a) constitute, for the partnership, a deductible expenditure referred to in subsection 1 of section 222, other than an expenditure referred to in paragraph *e* of the said subsection which, but for subsection 3 of section 175.1, would not be deductible;

(b) do not constitute

i. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 in respect of which section 1029.8.7.1 applies;

ii. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.11 applies;

iii. an amount deducted by the individual by virtue of section 726.4.49.

For the purposes of this section, “wages” means the income computed pursuant to Chapters I and II of Title II of Book III of this Part.

**“1029.8.0.2** Where a partnership carries on a business in Canada and undertakes or causes to be undertaken, on its behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, every corporation that is a member of the partnership at the end of a fiscal period of the latter ending after 31 December 1987 during which the research and development were undertaken and that is not mentioned in section 984 or 985 but is a specified member or a limited partner, within the meaning of section 613.6 of the partnership during the said fiscal period, is deemed to have paid to the Minister for its taxation year in which the fiscal period ends, as partial payment of its tax payable for that year pursuant to this Part, its portion of an amount equal to 20% of the wages the partnership has paid during the fiscal period in respect of the research and development to its employees of an establishment situated in Québec and of the portion of the remuneration that the partnership has paid during the fiscal period in respect of the research and development to a person who has undertaken all or part of the research and development, that may be attributed to the wages paid to the employees of an establishment of that person situated in Québec or would be if he had such employees.

Notwithstanding the foregoing, and subject to section 1029.8.8, the amount determined in the first paragraph that a corporation is deemed to have paid, for its taxation year in which the fiscal period of the partnership ends, shall not exceed 20% of the amount by which the at-risk amount of its interest determined in respect of the partnership pursuant to sections 613.2 to 613.5 at the end of the fiscal period exceeds the amount used as the basis for computing, in respect of that fiscal period, the amount that it is deemed to have paid under section 1029.8.7.2.

Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027, for its taxation year in which the fiscal period of the partnership ends, the corporation is deemed to have paid to the Minister, as partial payment of its tax payable for the year pursuant to this Part, the amount determined for the year in its respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the corporation is required to make such a payment or, in other cases, on

the first date following the end of the fiscal period which is the date on or before which it is required to make such a payment.

For the purposes of the first paragraph, the wages and remuneration include only the wages and remuneration that

(a) are paid

i. during a fiscal period of a partnership ending after 31 December 1987 and before 13 May 1988; or

ii. during a fiscal period of a partnership ending after 12 May 1988, but are so paid either before 13 May 1988 or after 12 May 1988 out of sums collected on or before that date;

(b) constitute, for the partnership, a deductible expenditure referred to in subsection 1 of section 222 other than an expenditure referred to in paragraph *e* of the said subsection which, but for subsection 3 of section 175.1, would not be deductible;

(c) do not constitute all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 in respect of which section 1029.8.7.2 applies.

For the purposes of subparagraph ii of subparagraph *a* of the fourth paragraph, sums collected after 12 May 1988 are deemed to have been collected on or before that date if they are collected

(a) through a distribution in accordance with a final prospectus for which the receipt was granted on or before that date;

(b) through a distribution in accordance with a final prospectus for which the receipt was granted after 12 May 1988 but on or before 30 June 1988, if the receipt for the preceding preliminary prospectus was granted on or before 12 May 1988;

(c) through a distribution before 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 or 51 of the Securities Act (R.S.Q., chapter V-1.1);

(d) through a distribution after 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 of the Securities Act in accordance with an offering memorandum received by the Commission des valeurs mobilières du Québec on or before 12 May 1988;



(e) through a distribution after 12 May 1988 but on or before 30 June 1988 and used to make a deductible expenditure under subsection 1 of section 222 pursuant to an agreement entered into in writing on or before 12 May 1988.

For the purposes of the fifth paragraph, sums collected through a distribution made in accordance with paragraph *b* or *d* of the said paragraph constitute such sums to the extent of the amount determined under the preliminary prospectus or the offering memorandum, as the case may be, equal to that part of the anticipated proceeds of the distribution contemplated in the preliminary prospectus or offering memorandum, as the case may be, that was to be used to make expenditures in respect of scientific research and experimental development, within the meaning of the regulations made pursuant to section 222.

For the purposes of this section, where expenditures in respect of scientific research and experimental development made by a partnership are not contemplated in the first paragraph for the sole reason that the scientific research and experimental development in respect of which the expenditures are made do not relate to a business of the partnership, those expenditures of the partnership are deemed to be expenditures referred to in the said paragraph where

(a) the partnership is, for the whole period during which scientific research and experimental development expenditures are made, related to another partnership no partner of which is a corporation mentioned in section 984 or 985 or to a taxpayer other than a corporation mentioned in one of the said sections that carries on a business in Canada;

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

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

For the purposes of this section, “wages” means the income computed pursuant to Chapters I and II of Title II of Book III of this Part.”

(2) This section, where it enacts section 1029.8.0.1 of the Taxation Act, applies to the taxation year 1988 of an individual.

(3) This section, where it enacts section 1029.8.0.2 of the Taxation Act, applies from the taxation year 1988. However, where

the seventh paragraph of section 1029.8.0.2, enacted by this section, applies in respect of expenditures contemplated in subsection 4, it shall be read by replacing the words “a business” wherever they appear by the words “the business or class of business”.

(4) The expenditures to which subsection 3 refers are expenditures made either before 16 December 1987 or after 15 December 1987 and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49 as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(5) For the purposes of paragraph *a* of subsection 4, where expenditures are made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.

**204.** (1) Section 1029.8.1 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988, is amended

(1) by striking out paragraph *a*;

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

“(b) “university research contract” means a contract entered into after 30 April 1987 and before 1 January 1991 between a taxpayer or partnership carrying on a business in Canada or a prescribed linkage agency commissioned by such a taxpayer or partnership and an eligible university entity under which the eligible university entity binds itself to make, in Québec, before 1 January 1993, on behalf of the taxpayer or partnership, expenditures in respect of scientific research and experimental development, directly undertaken by the entity, related to a business of the taxpayer or partnership or of the other partnership or the taxpayer contemplated in the fourth paragraph of section 1029.8.7.2 to whom the partnership is related, where the latter are entitled to exploit the results thereof;”;

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

“(b.1) “tax exempt taxpayer” means a tax exempt corporation or a trust one of the capital or income beneficiaries of which is a tax exempt corporation or a person exempt from tax by virtue of Book VIII of this Part;”;

(4) by striking out paragraph *e*;

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

“(f) “eligible university entity” means a Québec university or any other prescribed body;”;

(6) by striking out paragraph *g*.

(2) Paragraphs 1, 2, 4, 5 and 6 of subsection 1 apply in respect of a university research contract entered into after 12 May 1988, subject to subsections 4 to 8.

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

(4) Notwithstanding subsection 2, paragraph 2 of subsection 1 applies from the taxation year 1988 where paragraph *b* of section 1029.8.1 of the Taxation Act, enacted thereby, refers to a taxpayer.

(5) Notwithstanding subsection 2 and subject to subsection 6, where paragraph *b* of section 1029.8.1 of the Taxation Act, enacted by

paragraph 2 of subsection 1, applies in respect of a university research contract entered into before 13 May 1988, it shall be read as follows or, alternatively, as follows but by replacing the words “a corporation” and “the corporation” wherever they appear, by the words “a taxpayer” and “the taxpayer” and making the required adaptations, where the text to be read also applies from the taxation year 1988:

“(b) “university research contract” means a contract entered into after 30 April 1987 and before 13 May 1988 between a corporation or partnership carrying on a business in Canada and an eligible university entity under which the eligible university entity binds itself to make, in Québec, before 1 January 1993, on behalf of the corporation or partnership, expenditures in respect of scientific research and experimental development, directly undertaken by the entity, related to a business of the corporation or partnership or of the other partnership or the taxpayer contemplated in the fourth paragraph of section 1029.8.7 or the fourth paragraph of section 1029.8.7.2 to whom the partnership is related, where the latter are entitled to exploit the results thereof.”

(6) Where paragraph *b* of section 1029.8.1 of the Taxation Act, as enacted by paragraph 2 of subsection 1 and as it shall be read pursuant to subsection 5, applies in respect of expenditures made before 16 December 1987 or in respect of expenditures contemplated in subsection 7, it shall be read by replacing the words “related to a business” by the words “related to the business or class of business”.

(7) The expenditures to which subsection 6 refers are expenditures made after 15 December 1987 and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act as enacted by subsection 1 of section 49 as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(8) For the purposes of paragraph *a* of subsection 7, where expenditures are made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act as enacted by subsection 1 of section 49, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.

**205.** (1) Section 1029.8.2 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988, is amended by replacing paragraphs *a* and *b* by the following paragraphs:

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

“(b) a person or partnership related to the taxpayer or partnership contemplated in paragraph *a*.”

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

**206.** (1) Section 1029.8.3 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988, is amended

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

“(b) include only, subject to paragraph *c*, the following expenditures made before 1 January 1993;”;

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

(3) by adding after paragraph *b* the following paragraph:

“(c) do not include expenditures referred to in any of subparagraphs *a* to *d* of the first paragraph of section 230.0.0.2.”

(2) This section has effect from 16 December 1987.

**207.** (1) Sections 1029.8.4 and 1029.8.5 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988, are replaced by the following sections:

**“1029.8.4** For the purposes of this division, expenditures of a capital nature made by an eligible university entity in a taxation year or during a fiscal period of a partnership include only expenditures made to acquire, in the year or during the fiscal period, property other than land or a leasehold in land intended to be used in Québec within a reasonable time after it is acquired.

**“1029.8.5** For the purposes of this division, scientific research and experimental development related to a business includes any scientific research and experimental development that may lead to or facilitate an extension of that business.”

(2) This section, where it replaces section 1029.8.4 of the Taxation Act, applies in respect of expenditures made after 15 December 1987, other than expenditures made after that date and before 1 January 1989, pursuant to

(a) an obligation entered into in writing before 16 December 1987;

(b) the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

(c) the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum.

(3) This section, where it replaces section 1029.8.5 of the Taxation Act, has effect from 16 December 1987.

**208.** (1) Section 1029.8.6 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“1029.8.6** A taxpayer, other than a tax exempt taxpayer, who carries on a business in Canada and has made a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken by the eligible university entity under the university research contract, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 40 % of the total or partial amount he has paid during the year but before 1 January 1993 to the eligible university entity and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph *a* of section 223, for scientific research and experimental development carried on by the eligible university entity in Québec under the university research contract.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026 or 1027, the taxpayer is deemed to have paid to the Minister as partial payment of his tax payable for the year pursuant to this Part, on the date on or before which each payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment.

For the purposes of the first paragraph, an amount paid by a taxpayer to an eligible university entity includes only the amount that does not constitute

(a) all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.10 applies;

(b) all or part of an amount to which section 1029.8.6.1 applies;

(c) an amount deducted by the taxpayer by virtue of section 726.4.48.”

(2) This section applies, subject to subsections 3 to 6, in respect of expenditures made after 15 December 1987. However, where section 1029.8.6 of the Taxation Act, enacted by this section, refers to a taxpayer, and where this section enacts the third paragraph of the said section 1029.8.6, they apply from the taxation year 1988.

(3) Notwithstanding subsection 2, this section has effect from 13 May 1988 where section 1029.8.6, enacted by this section, refers to a prescribed linkage agency commissioned by a taxpayer.

(4) Notwithstanding subsection 2, where section 1029.8.6 of the Taxation Act, enacted by this section, applies in respect of expenditures contemplated in subsection 5, it shall be read by replacing the words "related to a business", where they appear, by the words "related to his business or class of business".

(5) The expenditures to which subsection 4 refers are expenditures made after 15 December 1987 and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49 as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(6) For the purposes of paragraph *a* of subsection 5, where expenditures are made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of section 222 of the Taxation Act, as enacted by subsection 1 of section 49, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.



**209.** (1) The said Act is amended by inserting, after section 1029.8.6, the following section:

**“1029.8.6.1** An individual, in respect of an amount he may deduct in computing his taxable income for his taxation year 1988 pursuant to section 726.4.48, or could so deduct pursuant to the said section on the assumption that he has sufficient income for that purpose, except to the extent that he has deducted such an amount in the computation pursuant to that section, is deemed to have paid to the Minister, for his taxation year 1988, as partial payment of his tax payable for the year pursuant to this Part, an amount equal to 40% of the amount that he may or could so deduct.

Furthermore, for the purposes of computing the payments that an individual referred to in the first paragraph is required to make under section 1025 or 1026, the individual is deemed to have paid to the Minister as partial payment of his tax payable for the year pursuant to this Part, on the date on or before which each payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment.

For the purposes of the first paragraph, an amount referred to therein does not include the amount that constitutes all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.10 applies.”

(2) This section applies to the taxation year 1988 of an individual.

**210.** (1) Section 1029.8.7 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988, is amended

(1) by replacing the first, second and third paragraphs by the following paragraphs:

**“1029.8.7** Where a partnership carries on a business in Canada and has entered into a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership was carried on by the eligible university entity under the university research contract and who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in

which the said fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or partial amount the partnership has paid during the said fiscal period but before 1 January 1993 to the eligible university entity and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature deductible under subsection 1 of section 222 or paragraph *a* of section 223 for scientific research and experimental development carried on by the eligible university entity in Québec under the university research contract.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026 or 1027, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of his tax payable for the year pursuant to this Part, the amount determined for the year in his respect under the first paragraph, either on the date on which the fiscal period ends where that date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment.

For the purposes of the first paragraph, an amount paid by a partnership includes only the amount that does not constitute

(a) all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.11 applies;

(b) all or part of an amount to which section 1029.8.7.1 applies;

(c) an amount deducted by the taxpayer by virtue of section 726.4.49.”;

(2) by striking out the fourth paragraph.

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

(3) Where the first paragraph of section 1029.8.7 of the Taxation Act, enacted by this section, applies in respect of expenditures contemplated in subsection 4, it shall be read by replacing the words “related to a business”, where they appear, by the words “related to the business or class of business”.

(4) The expenditures to which subparagraph 3 refers are expenditures made either before 16 December 1987 or after 15 December 1987 and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49 as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of property necessary for the equipment of such a building for the purpose for which that building was intended.

(5) For the purposes of paragraph *a* of subsection 4, where expenditures are made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.

**211.** (1) The said Act is amended by inserting, after section 1029.8.7, the following sections:

**"1029.8.7.1** An individual, in respect of an amount he may deduct in computing his taxable income for his taxation year 1988

pursuant to section 726.4.49, or could so deduct pursuant to the said section on the assumption that he has sufficient income for that purpose, except to the extent that he has deducted such an amount in the computation pursuant to that section, is deemed to have paid to the Minister, for his taxation year 1988, as partial payment of his tax payable for the year pursuant to this Part, an amount equal to 40% of the amount that he may or could so deduct.

Furthermore, for the purposes of computing the payments that an individual referred to in the first paragraph is required to make under section 1025 or 1026, for his taxation year 1988 in which the fiscal period of the partnership referred to in section 726.4.49 ends, the individual is deemed to have paid to the Minister, as partial payment of his tax payable for the year pursuant to this Part, the amount determined for the year in his respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the individual is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment.

For the purposes of the first paragraph, an amount contemplated therein does not include the amount that constitutes all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.11 applies.

**“1029.8.7.2** Where a partnership carries on a business in Canada and has entered into a university research contract with an eligible university entity or has commissioned a prescribed linkage agency to make such a contract, every corporation that is a member of the partnership at the end of a fiscal period of the latter ending after 31 December 1987 during which scientific research and experimental development related to a business of the partnership was carried on by the eligible university entity and that is not a tax exempt corporation but is a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for its taxation year in which the said fiscal period ends, as partial payment of its tax payable for that year pursuant to this Part, its portion of an amount equal to 40% of the total or partial amount the partnership has paid during the said fiscal period but before 1 January 1993 to the eligible university entity and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature deductible under subsection 1 of section 222 or paragraph *a* of section 223 for scientific research and experimental development carried on by the

eligible university entity in Québec under the university research contract.

Notwithstanding the foregoing, and subject to section 1029.8.8, the amount determined in the first paragraph that a corporation contemplated therein is deemed to have paid, for its taxation year in which the fiscal period of the partnership ends, shall not exceed 40% of the at-risk amount of its interest determined in respect of the partnership pursuant to sections 613.2 to 613.5 at the end of the fiscal period.

Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027, for its taxation year in which the fiscal period of the partnership ends, the corporation is deemed to have paid to the Minister, as partial payment of its tax payable for the year pursuant to this Part, the amount determined for the year in its respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the corporation is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which it is required to make such a payment.

For the purposes of the first paragraph, an amount paid by a partnership to an eligible university entity includes only the amount that is paid

(a) during a fiscal period of the partnership ending after 31 December 1987 and before 13 May 1988; or

(b) during a fiscal period of the partnership ending after 12 May 1988, but is so paid either before 13 May 1988 or after 12 May 1988 out of sums collected on or before that date.

For the purposes of paragraph *b* of the fourth paragraph, sums collected after 12 May 1988 are deemed to have been collected on or before that date, if they are collected

(a) through a distribution in accordance with a final prospectus for which the receipt was granted on or before that date;

(b) through a distribution in accordance with a final prospectus for which the receipt was granted after 12 May 1988 but on or before 30 June 1988, if the receipt for the preceding preliminary prospectus was granted on or before 12 May 1988;

(c) through a distribution before 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 or 51 of the Securities Act (R.S.Q., chapter V-1.1);

(d) through a distribution after 12 May 1988 under an exemption from filing a prospectus pursuant to section 48 of the Securities Act in accordance with an offering memorandum received by the Commission des valeurs mobilières du Québec on or before 12 May 1988;

(e) through a distribution after 12 May 1988 but on or before 30 June 1988 and used to make a deductible expenditure under subsection 1 of section 222 or paragraph *a* of section 223, pursuant to an agreement entered into in writing on or before 12 May 1988.

For the purposes of the fifth paragraph, sums collected through a distribution made in accordance with paragraph *b* or *d* of the said subsection constitute such sums to the extent of the amount determined under the preliminary prospectus or the offering memorandum, as the case may be, equal to that part of the anticipated proceeds of the distribution contemplated in the preliminary prospectus or offering memorandum, as the case may be, that was to be used to make expenditures in respect of scientific research and experimental development, within the meaning of the regulations made pursuant to section 222.

For the purposes of this section and the definition of the expression “university research contract”, where an amount paid by a partnership to an eligible university entity pursuant to an eligible university contract is not contemplated in the first paragraph for the sole reason that the scientific research and experimental development in respect of which the amount is paid does not relate to a business of the partnership, the amount paid by the partnership is deemed to be an amount referred to in the said paragraph where

(a) the partnership is, for the whole period during which scientific research and experimental development expenditures is carried on, related to another partnership no partner of which is a tax exempt corporation within the meaning of paragraph *d* of section 1029.8.1 or a tax exempt individual or to a taxpayer other than a tax exempt corporation within the meaning of paragraph *d* of section 1029.8.1 or a tax exempt individual, that carries on a business in Canada;

(b) the scientific research and experimental development relates to a business of the other partnership or of the taxpayer contemplated in subparagraph *a*;

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

(2) This section, where it enacts section 1029.8.7.1 of the Taxation Act, applies to the taxation year 1988 of an individual.

(3) This section, where it enacts section 1029.8.7.2 of the Taxation Act, applies from the taxation year 1988. However, where the first and seventh paragraphs of section 1029.8.7.2, enacted by this section, apply in respect of expenditures contemplated in subsection 4, they shall be read by replacing the words “related to a business”, “does not relate to a business” and “relates to a business”, wherever they appear, by the words “related to the business or class of business”, “does not relate to the business or class of business”, and “relates to a business or class of business”, respectively.

(4) The expenditures to which subsection 3 refers are expenditures made either before 16 December 1987 or after 15 December 1987 and before 1 January 1989

(a) pursuant to

i. an obligation entered into in writing before 16 December 1987;

ii. the terms of a final prospectus, preliminary prospectus, registration statement or offering memorandum filed before 16 December 1987 with a public authority in Canada pursuant to and in accordance with the securities legislation of any province; or

iii. the terms of an offering memorandum distributed as part of an offering of securities where the offering memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering of the securities, the offering memorandum was distributed before 16 December 1987, solicitations in respect of the sale of the securities contemplated by the offering memorandum were made before 16 December 1987, and the sale of the securities was substantially in accordance with the offering memorandum;

(b) by way of a payment made to an entity referred to in any of paragraphs *a* to *c* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49 as part of a public fund raising campaign that commenced on or before 15 December 1987, or after that date pursuant to a settled plan evidenced in writing on or before that date, that may reasonably be considered to be for the purpose of funding the acquisition by the entity of a building which was under construction by or on behalf of the entity on 16 December 1987, or of

property necessary for the equipment of such a building for the purpose for which that building was intended.

(5) For the purposes of paragraph *a* of subsection 4, where expenditures are made after 15 December 1987 by way of a payment to an entity referred to in any of paragraphs *a* to *e* of subsection 1 of section 222 of the Taxation Act, as enacted by subsection 1 of section 49, the scientific research and experimental development to be undertaken pursuant to that payment shall be so undertaken before 1 January 1989.

**212.** (1) Section 1029.8.8 of the said Act, enacted by section 125 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“1029.8.8** A corporation that would be contemplated in the second paragraph of section 1029.8 or 1029.8.7 if those sections were read without reference to the words “a specified member or” shall not be deemed to have paid to the Minister its portion of an amount in respect of expenditures of a partnership referred to in any of the said sections unless a favourable advance ruling has been given by the Ministère du Revenu regarding the proposed financing of the expenditures, either before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, as the case may be, relating to the acquisition of an interest in the partnership, or before the date of subscription of the interest in other cases.”

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

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

**“1029.8.9** A taxpayer shall not be deemed to have paid to the Minister an amount or his portion of an amount referred to in section 1029.8.6, 1029.8.7 or 1029.8.7.2 related to a university research contract entered into after 18 December 1987 unless a favourable advance ruling has been given by the Ministère du Revenu regarding the university research contract to which the amount or that portion of an amount, as the case may be, is related, before any amount is paid, pursuant to the contract, to an eligible university entity.

Where a university research contract is made by a prescribed linkage agency, the favourable advance ruling referred to in the first paragraph shall be obtained by the agency.

Furthermore, where an amount or portion of an amount is related to two or more university research contracts, the favourable advance



ruling referred to in the first paragraph shall be made in respect of each university research contract to which the amount or portion of an amount, as the case may be, is related.

Where, pursuant to a university research contract, an amount has been paid to an eligible university entity before a favourable advance ruling is given by the Ministère du Revenu regarding the contract, the amount so paid is, for the sole purposes of the first paragraph, deemed to have been paid after a favourable advance ruling was given by the Ministère du Revenu regarding the contract, if

(a) an application for an advance ruling regarding the contract has been filed with the Ministère du Revenu within 90 days following the date on which the contract was entered into;

(b) the Ministère du Revenu has given a favourable ruling regarding the contract.

### “DIVISION II.3

#### “OTHER CREDIT FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

“**1029.8.10** A taxpayer other than a tax exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1, who carries on a business in Canada and has made an agreement with a person or partnership whereby the parties agree to undertake or cause to be undertaken, on their behalf in Québec, scientific research and experimental development, within the meaning of the regulations made pursuant to section 222 and in respect of which the Minister of Industry, Commerce and Technology has issued a receipt, is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken, as partial payment of his tax payable for the year pursuant to this Part, an amount equal to 40 % of the total or part of the expenditures he has made in Québec and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible for the year under subsection 1 of section 222 or paragraph *a* of section 223, for scientific research and experimental development.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026 or 1027, the taxpayer is deemed to have paid to the Minister as partial payment of his tax payable for the year pursuant to this Part, on the date on or before which each payment is required to be paid, the amount which would be determined under the first paragraph if applied only to the period covered by the payment.

**“1029.8.11** Where a particular partnership carries on a business in Canada and has made an agreement with a person or a partnership whereby the parties agree to undertake or cause to be undertaken, on their behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, and in respect of which the Minister of Industry, Commerce and Technology has issued a receipt, every taxpayer who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership were undertaken and who is not a tax exempt taxpayer within the meaning of paragraph b.1 of section 1029.8.1 or a specified member of the partnership during the said fiscal period, is deemed to have paid to the Minister, for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40% of the total or part of the expenditures the partnership has made in Québec during the fiscal period and that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature, deductible under subsection 1 of section 222 or paragraph a of section 223 for scientific research and experimental development.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026 or 1027, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of his tax payable for the year pursuant to this Part, the amount determined for the year in his respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment.

**“1029.8.12** For the purposes of this division, expenditures in respect of scientific research and experimental development

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

(b) include only, subject to paragraph c, the following expenditures made after 12 May 1988 and before 1 January 1993:

i. expenditures each of which was an expenditure made for and all or substantially all of which was attributable to the prosecution, or to the provision of premises, facilities or equipment for the

prosecution, of scientific research and experimental development in Québec;

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

(c) do not include expenditures referred to in any of paragraphs *a* to *d* of the first paragraph of section 230.0.0.2.

**“1029.8.13** For the purposes of this division, the expenditures in respect of scientific research and experimental development made by a taxpayer or a partnership in a taxation year or a fiscal period, as the case may be, include the aggregate of all amounts of expenditures made by the taxpayer or the partnership in the taxation year or fiscal period, as the case may be, by way of repayment of an amount referred to in paragraph *b* of section 225 that can be attributed to expenditures in respect of scientific research and experimental development made in Québec after 12 May 1988 and before 1 January 1993.

**“1029.8.14** For the purposes of this division, the expenditures of a capital nature contemplated in paragraph *a* of section 223 that are made in Québec by a taxpayer in a taxation year or a partnership during a fiscal period include only expenditures made after 12 May 1988 and before 1 January 1993 to acquire, in the year or during the fiscal period, property other than land or a leasehold in land intended to be used in Québec within a reasonable time after it is acquired.

**“1029.8.15** For the purposes of this division, scientific research and experimental development related to a business includes any scientific research and experimental development that may lead to or facilitate an extension of that business.

**“1029.8.16** For the purposes of this division,

(a) a receipt that is revoked by the Minister of Industry, Commerce and Technology is null and void from the time when the revocation becomes effective;

(b) no amount can be deemed to have been paid by a taxpayer in respect of an expenditure referred to in section 1029.8.10 or 1029.8.11 if the receipt issued by the Minister of Industry, Commerce and Technology was not in effect or valid when the expenditure was made and when scientific research and experimental development, within

the meaning of the regulations made pursuant to section 222, were undertaken, where the expenditure was made after the date of issue of the receipt or, if the exemption was granted before the date indicated to that effect on the receipt, where the exemption was granted before the date of issue of the receipt.

#### “DIVISION II.4

##### “GOVERNMENT ASSISTANCE, NON-GOVERNMENT ASSISTANCE AND CONTRACT PAYMENT

**“1029.8.17** In this division,

(a) “government assistance” means assistance from a government, municipality or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance other than an amount contemplated in Divisions II, II.1 and II.3 of this chapter and a prescribed amount;

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

(c) “contract payment” means

i. an amount payable by a person resident in Canada for scientific research and experimental development, within the meaning of the regulations made pursuant to section 222, related to the business of that person;

ii. an amount, other than a prescribed amount, payable by the Government of Canada or a provincial government, a municipality or other Canadian public authority or by a person exempt from tax under this Part by virtue of sections 980 to 985 and 985.23 to 999.1 for scientific research and experimental development, within the meaning of the regulations made pursuant to section 222, to be performed for the authority or person, or on their behalf; or

iii. an amount payable by a person not resident in Canada if he is entitled to a deduction under paragraph *d* of subsection 1 of section 222 in respect of the amount.

**“1029.8.18** For the purposes of computing the amount that is deemed to have been paid to the Minister by a taxpayer pursuant to section 1029.7, 1029.8, 1029.8.0.2, 1029.8.6, 1029.8.7, 1029.8.7.2, 1029.8.10 or 1029.8.11, the amount of a deductible expenditure under

subsection 1 of section 222 or paragraph *a* of section 223 shall be reduced, as the case may be, by the aggregate of the amount of a contract payment and, for greater certainty, the amount of any government assistance or non-government assistance, attributable to the expenditure, that the taxpayer has received, is entitled to receive or can reasonably be expected to receive at the time of filing of his fiscal return for the taxation year in which the expenditure was made.”

(2) This section, where it enacts section 1029.8.9 of the Taxation Act, applies in respect of an amount or portion of an amount related to a university research contract entered into after 18 December 1987. However, where the said section 1029.8.9 applies in respect of an amount or portion of an amount related to a university research contract entered into

(a) after 18 December 1987 and before 12 May 1988,

i. the first paragraph thereof shall be read by replacing the word “taxpayer”, where it appears, by the word “corporation” and making the required adaptations;

ii. the second paragraph thereof does not apply; and

iii. the fourth paragraph shall be read as follows:

“Where, pursuant to a university research contract, an amount has been paid to an eligible university entity before a favourable advance ruling is given by the Ministère du Revenu regarding the contract, the amount so paid is, for the sole purposes of the first paragraph, deemed to have been paid after a favourable advance ruling is given by the Ministère du Revenu regarding the contract, if

(a) an application for an advance ruling regarding the contract has been filed with the Ministère du Revenu on or before 31 December 1988;

(b) the Ministère du Revenu has given a favourable ruling regarding the contract.”;

(b) on 12 May 1988, the first paragraph thereof shall be read by replacing the word “taxpayer” where it appears by the word “corporation” and making the required adaptations; and

(c) after 11 May 1988 and before (*insert here the date of assent to this Act*), the fourth paragraph thereof shall be read by replacing the words “within ninety days following the date on which the contract was entered into” where they appear by the words “on or before

*(insert here the date of the ninetieth day following the date of assent to this Act)".*

(3) This section, where it enacts sections 1029.8.10 to 1029.8.16 of the Taxation Act, has effect, subject to subsection 4, from 13 May 1988 and, where this section enacts sections 1029.8.17 and 1029.8.18 of the said Act, it applies, subject to subsections 5 and 6, in respect of expenditures made after 30 April 1987.

(4) Where sections 1029.8.10, 1029.8.11 and 1029.8.16 apply to the period

(a) from 13 May 1988 to 22 June 1988, the words "Minister of Industry, Commerce and Technology" shall be replaced by the words "Minister of Industry and Commerce";

(b) from 23 June 1988 to 5 July 1988, the words "Minister of Industry, Commerce and Technology" shall be replaced by the words "Minister of Industry, Commerce and Technological Development".

(5) Where section 1029.8.18 of the Taxation Act, enacted by this section, applies in respect of expenditures made before 13 May 1988, it shall be read without reference to sections 1029.8.7.2, 1029.8.10 and 1029.8.11.

(6) Subject to subsection 5, where section 1029.8.18 of the Taxation Act, enacted by this section, applies to a taxpayer for his taxation year 1988, it shall be read as follows:

**"1029.8.18** For the purposes of computing the amount that is deemed to have been paid to the Minister by an individual pursuant to sections 1029.7, 1029.7.1, 1029.8, 1029.8.0.1, sections 1029.8.6 to 1029.8.7.1 or section 1029.8.10 or 1029.8.11, the amount of a deductible expenditure under subsection 1 of section 222 or paragraph *a* of section 223 shall be reduced, as the case may be, by the aggregate of the amount of a contract payment and, for greater certainty, the amount of any government assistance or non-government assistance attributable to the expenditure, that the taxpayer has received, is entitled to receive or can reasonably be expected to receive at the time of filing of his fiscal return for the taxation year in which the expenditure was made."

**214.** (1) The said Act is amended by inserting, after section 1029.9, the following sections:

**"1029.10** A taxpayer who, by virtue of an insufficient tax otherwise payable under this Part for his taxation year 1987, did not deduct an amount pursuant to sections 773 and 774, section 209 of the

Act respecting the sociétés d'entraide économique (R.S.Q., chapter S-25.1), or section 130 of the Act respecting certain caisses d'entraide économique (R.S.Q., chapter C-3.1), is deemed, if he files for his taxation year 1988 a fiscal return as prescribed in section 1000, to have paid to the Minister, on the last day of the taxation year 1988, as partial payment of his tax payable pursuant to this Part for his taxation year 1988 an amount equal to the amount by which the aggregate of the amounts that could have been deducted by him under the said sections for his taxation year 1987, if his tax otherwise payable for the said taxation year 1987 had been sufficient, exceeds the amount actually deducted by him for the taxation year 1987 under those sections.

**“1029.11** A taxpayer who acquires a common share of the capital stock of the Financière Entraide-Coopérants inc. in exchange for a preferred share described in section 1029.12 is deemed to have paid to the Minister on the last day of his taxation year in which he so acquired the share, as partial payment of his tax payable for the taxation year pursuant to this Part, an amount equal to 20 % of the cost to him of each share in a savings and credit union affiliated with the Fédération des caisses d'établissement du Québec governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4) he owned on 12 May 1988 and disposed of for a consideration which was directly or indirectly a preferred share referred to in section 1029.12 exchanged by him for a common share of the capital stock of the Financière Entraide-Coopérants inc.

**“1029.12** A preferred share referred to in section 1029.11 is a class “B” preferred share of the capital stock of the Financière Entraide-Coopérants inc. within the Chaudière, Est du Québec, Estrie, Lanaudière, Rive-Sud, Saguenay or Yamaska series.

**“1029.13** Section 1029.11 does not apply in respect of a taxpayer who, for the taxation year mentioned in the said section, fails to file the fiscal return prescribed in section 1000 along with the return in prescribed form forwarded to him by the Financière Entraide-Coopérants inc. for the year.”

(2) This section has effect from 12 May 1988.

**215.** (1) Section 1040 of the said Act and section 1040.1 thereof, enacted by section 128 of chapter 4 of the statutes of 1988, are replaced by the following sections:

**“1040.** Every taxpayer required to make a payment pursuant to sections 1025 to 1029 shall, in addition to interest payable under section 1038, pay additional interest at the rate of 5 % per annum, for

the period for which interest is payable under section 1038, on any unpaid payment or part of a payment which is less than 90% of the payment he was required to make.

**“1040.1** Notwithstanding section 1040, the interest payable by a taxpayer under the said section shall not exceed the amount by which the interest that would be payable by the taxpayer under the said section if he had made no payments exceeds the amount obtained by computing interest at the rate of 5% capitalized daily on each payment made by the taxpayer, for the period extending from the day of the payment to the day on or before which the taxpayer is required to pay to the Minister the balance of his estimated income tax or would be so required if he had such a balance.”

(2) This section applies to any payment a taxpayer is required to make in respect of a taxation year commencing after 31 December 1988.

**216.** (1) The said Act is amended by inserting, after section 1044, the following section:

**“1044.1** Where, for a particular taxation year, a taxpayer has included, in computing his taxable income in accordance with section 726.24, an amount received in a subsequent year, his tax payable under this Part for the particular taxation year is deemed, for the 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 so include such an amount.

However, the amount by which the taxpayer's payable tax under this Part for the particular taxation year is increased as a result of the inclusion of an amount described in the first paragraph is deemed, for the purposes of computing interest payable under sections 1037 to 1040, to have so increased the taxpayer's tax payable under this Part for the particular taxation year from the day on or before which he is required to file his fiscal return for the subsequent taxation year or would be required to file such a return if he were required to pay tax under this Part for the subsequent year.”

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

**217.** (1) The said Act is amended by inserting, after section 1045, the following section:

**“1045.1** Notwithstanding section 1045, where the failure referred to therein results solely from the inclusion, in computing a taxpayer's taxable income for a taxation year, of an amount for the



year under section 726.24, the words “the tax unpaid at the time when the return must be filed” in the said section 1045, shall be replaced, where they appear, by the words “the tax unpaid on the day on or before which he is required to file his fiscal return for the subsequent taxation year for which he has deducted, pursuant to section 726.25, an amount included by him in computing his taxable income for the year, or would be required to file such a return if he were to pay tax for the subsequent taxation year under this Part”.

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

**218.** (1) Section 1049.2.1 of the said Act, replaced by section 132 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

**“1049.2.1** Where, at a particular time in the period from 7 May 1986 to 16 December 1986, a corporation purchases or redeems in any manner whatever, directly or indirectly, a share of any class of its capital stock other than a fractional share or other than a share that has been the subject of a particular transaction referred to in section 965.11.9.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.8, issued with the stipulation that it could be included in a stock savings plan or belonging to a class of shares of its capital stock some of which were issued with such a stipulation, it is liable to a penalty equal to 25% of the average adjusted cost of each purchased or redeemed share or to 25% of the amount by which the average adjusted cost of the aggregate of the shares of the same class that were issued with such a stipulation and that have been issued as part of a public share issue in respect of which the date of the receipt for the final prospectus or of the exemption from filing a prospectus is in the year including the particular time or in the preceding two years, exceeds the average adjusted cost of the aggregate of such shares in respect of which a penalty was incurred under this section before that time, whichever is the lesser.”

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

**219.** (1) Section 1049.2.2 of the said Act, replaced by section 132 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

**“1049.2.2** Where shares of the capital stock of a corporation, other than shares that have been the subject of a particular transaction referred to in section 965.11.9.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.9, were, at a particular time in the

period from 7 May 1986 to 16 December 1986, the subject of a transaction or operation or series of transactions or operations and, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of its capital stock which, in the year including the particular time or in the preceding two years, was issued with the stipulation in the final prospectus or in the application for an exemption from filing a prospectus, that it could be included in a stock savings plan, the corporation is liable to a penalty equal to 25 % of the amount determined under section 965.11.9 for the transaction, operation or series of transactions or operations.”

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

**220.** (1) The said Act is amended by inserting, after section 1049.2.2, the following section:

**“1049.2.2.0.1** For the purposes of this title, a share contemplated in section 965.9.1.1 that is acquired by an investment fund is deemed to have been issued with the stipulation that it could be included in a stock savings plan.”

(2) This section applies to a purchase or redemption of shares made after 12 May 1988.

**221.** (1) Section 1049.2.2.1 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

**“1049.2.2.1** Where a corporation issues, at a particular time, a share of its capital stock with the stipulation that it can be included in a stock savings plan or issues a share in replacement of a share issued at a particular time with such a stipulation or issued in replacement of a share issued in substitution for such a share and, after 16 December 1986, purchases or redeems in any manner whatever, directly or indirectly, in the year including the particular time but after that time or in the two years following that year, a share of a class of its capital stock other than a share described in section 965.11.12 or other than a share that has been the subject of a particular transaction referred to in section 965.11.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.11, it is liable to a penalty equal to 25 % of the amount obtained by multiplying the amount of the purchase or redemption by the amount determined under the second paragraph in respect of the purchase or redemption.”

(2) This section has effect from 17 December 1986.

**222.** (1) Section 1049.2.2.2 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988, is amended by replacing the first paragraph by the following paragraph:

**“1049.2.2.2** Where shares of the capital stock of a corporation, other than shares that have been the subject of a particular transaction referred to in section 965.11.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.13, were, at a particular time after 16 December 1986, the subject of a transaction or operation or a series of transactions or operations and where, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of its capital stock other than a share described in section 965.11.14, the corporation is liable to a penalty equal to 25 % of the amount obtained by multiplying the amount determined under section 965.11.15 in respect of the transaction or operation or series of transactions or operations by the percentage determined under the second paragraph in respect of the transaction or operation or series of transactions or operations if it issued, in the year including the particular time but before that time or in the two years preceding that year, a share of its capital stock with the stipulation that it could be included in a stock savings plan or issued a share of its capital stock as a replacement for a share issued with such a stipulation in the year including the particular time but before that time or in the two years preceding that year or for a share issued in substitution for such a share.”

(2) This section has effect from 17 December 1986.

**223.** (1) Section 1049.2.2.5 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“1049.2.2.5** Where a corporation issues a share of its capital stock with the stipulation that it can be included in a stock savings plan or issues a share of its capital stock as a replacement for a share issued with such a stipulation or for a share issued in substitution for such a share and the net shareholder's equity of which is affected, after 16 December 1986, in any manner whatever, directly or indirectly, in the year the share issued with such a stipulation was issued but after that issue or in the two years following that year, following a transaction or operation or series of transactions or operations other than those referred to in section 965.11.19 or a particular transaction referred to in section 965.11.19.1 in respect of which the corporation is not bound to meet the requirement prescribed in the second paragraph of section 965.11.17, it is liable to a penalty equal to 25 % of

the amount determined under the second paragraph of section 965.11.17 in respect of the transaction, operation or series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.11.18.”

(2) This section has effect from 17 December 1986.

**224.** (1) Section 1049.2.2.7 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“1049.2.2.7** The conditions that must be complied with by a corporation contemplated in section 1049.2.2.6 are that it must issue shares of its capital stock that meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares, or that shares of its capital stock must be, not later than 730 days after the beginning of the transaction referred to in section 1049.2.2.6, the subject of a transaction or operation or a series of transactions or operations which, in the opinion of the Minister, can reasonably be believed to be equivalent to the issue of shares of the capital stock of the corporation that meet the requirement of paragraph *c* of section 965.7, for an amount equal to or greater than the amount of the purchase or redemption referred to in the first paragraph of section 1049.2.1 or 1049.2.2.1 or an amount determined under the second paragraph of section 965.11.9, 965.11.15 or 965.11.17, respectively, for a transaction referred to in section 1049.2.2, 1049.2.2.2 or 1049.2.2.5, as the case may be.”

(2) This section has effect from 17 December 1986.

**225.** (1) Section 1049.2.2.10 of the said Act, enacted by section 132 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“1049.2.2.10** Notwithstanding sections 1049.2.1 to 1049.2.2.5, a corporation may carry out a transaction contemplated in any of the said sections without incurring the penalty provided for in respect of such a transaction if, in the opinion of the Minister,

(a) the transaction results from a transaction described in section 536, 541 or 544 and is carried out primarily for business purposes; or

(b) an undesirable situation would otherwise be caused.”

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

**226.** (1) Section 1049.2.5 of the said Act, enacted by section 133 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“1049.2.5** Where an investment fund states falsely in its final prospectus or in an application for an exemption from filing a prospectus that the issued securities can be included in a stock savings plan described in the third paragraph of section 965.2, the fund administrator or trustee is liable to a penalty equal to 25% of the adjusted cost that would be determined under section 965.6.0.3 if the statement of the investment fund were true, of each security of the issue distributed in Québec to an individual other than a trust.”

(2) This section applies in respect of a security issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 12 May 1988.

**227.** (1) Section 1049.2.7 of the said Act, enacted by section 133 of chapter 4 of the statutes of 1988, is replaced by the following section:

**“1049.2.7** Where, on 31 December in a year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfil its undertaking under paragraph c of section 965.6.23, the administrator or trustee is liable to a penalty equal to 25% of the amount by which the adjusted cost of the aggregate of the qualifying securities issued in the year and in the preceding two years that are not redeemed by the investment fund on or before 31 December in the year exceeds the adjusted cost of the qualifying shares or valid shares owned by the investment fund on 31 December in the year.”

(2) This section applies from 1 January 1988. However, where in replacing section 1049.2.7 of the Taxation Act, it inserts a reference to a valid share, it applies from 1 June 1988.

**228.** (1) Section 1049.6 of the said Act, amended by section 134 of chapter 4 of the statutes of 1988, is again amended by replacing paragraph *a* by the following paragraph:

“(a) repay a creditor who is a shareholder of the company or of the qualified corporation or a person with whom the creditor does not deal at arm’s length or a corporation that is associated with the qualified corporation;”.

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

**229.** (1) Section 1049.15 of the said Act, enacted by section 137 of chapter 4 of the statutes of 1988, is amended by adding, after the first paragraph, the following paragraph:

“The first paragraph does not apply, however, to any purchase made by the corporation in a fiscal period, to the extent that the aggregate of the amount of the purchase and of all amounts for purchases made by the corporation in the fiscal year but before the purchase is lesser than 2% of the amount of paid-up capital in respect of shares of its capital stock which, under the conditions for their issue, cannot be, either partially or totally, purchased or redeemed by the corporation or purchased by any person, in any manner whatever, directly or indirectly.”

(2) This section has effect from 2 March 1988.

**230.** (1) Section 1049.16 of the said Act, enacted by section 137 of chapter 4 of the statutes of 1988, is repealed.

(2) This section applies to a redemption of shares made after *(insert here the date of assent to this Act)*.

**231.** (1) Sections 1049.17 to 1049.19 of the said Act, enacted by section 137 of chapter 4 of the statutes of 1988, are replaced by the following sections:

**“1049.17** Where for the purposes of computing the income or loss of a member of the partnership for a taxation year, a partnership has deducted, in respect of an expenditure, in computing its income for the year, an amount as expenditure in respect of scientific research and experimental development within the meaning of the regulations under section 222 and where the whole or part of the amount deducted in respect of the expenditure was not deductible under section 222 or 223, any person who was a member of the partnership on the date the Ministère du Revenu issued a favourable advance ruling contemplated in section 726.4.51 or 1029.8.8 in respect of the proposed financing for the expenditure and who was not, on that date, a limited partner of the partnership, within the meaning of section 613.6, is liable to a penalty equal to 30% of the whole or the part, as the case may be, of the amount deducted which was not deductible under section 222 or 223 other than an amount deducted by it in respect of an expenditure contemplated in section 1049.18.

Notwithstanding the foregoing, where the partnership contemplated in the first paragraph was a partnership in respect of which the third paragraph of section 726.4.40 or the seventh paragraph of section 1029.8.0.2 applied, the other partnership or the

taxpayer, contemplated in either said paragraph, to which or whom the partnership was related or, as the case may be, any person who was a member of the other partnership on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph and who was not, on that date, a limited partner of the other partnership, within the meaning of section 613.6, is liable to the penalty contemplated in the first paragraph.

Where the person contemplated in the first or second paragraph or the taxpayer contemplated in the second paragraph was a corporation, the directors of the corporation in office on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph are liable, jointly and severally with the corporation, to the penalty contemplated in the first or second paragraph, as the case may be.

For the purposes of this section, “person” also means a partnership.

**“1049.18** Where for the purposes of computing the income or loss of a member of the partnership for a taxation year, a partnership has deducted, in respect of an expenditure made within the framework of a university research contract within the meaning of paragraph *b* of section 1029.8.1 or of paragraph *a* or *b* of section 726.4.43, according as the contract was entered into after 12 May 1988 or before 13 May 1988, in computing its income for the year, an amount as expenditure in respect of scientific research and experimental development within the meaning of the regulations under section 222 and where the whole or part of the amount deducted in respect of the expenditure was not deductible under section 222 or 223, any person who was a member of the partnership on the date the Ministère du Revenu issued a favourable advance ruling contemplated in section 726.4.51 or 1029.8.8 in respect of the proposed financing for the expenditure and who was not, on that date, a limited partner of the partnership, within the meaning of section 613.6, is liable to a penalty equal to 40 % of the whole or the part, as the case may be, of the amount deducted which was not deductible under section 222 or 223.

Notwithstanding the foregoing, where the partnership contemplated in the first paragraph was a partnership in respect of which the third paragraph of section 726.4.50 or the seventh paragraph of section 1029.8.7.2 applied, the other partnership or the taxpayer, contemplated in either said paragraph, to which or whom the partnership was related or, as the case may be, any person who was a member of the other partnership on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph and who was not, on that date, a limited partner of the

other partnership, within the meaning of section 613.6, is liable to the penalty contemplated in the first paragraph.

Where the person contemplated in the first or second paragraph or the taxpayer contemplated in the second paragraph was a corporation, the directors of the corporation in office on the date the Ministère du Revenu issued the favourable advance ruling contemplated in the first paragraph are liable, jointly and severally with the corporation, to the penalty contemplated in the first or second paragraph, as the case may be.

For the purposes of this section, the word “person” includes a partnership.

**“1049.19** Where a penalty is incurred under section 1049.17 or 1049.18 in respect of the whole or part of an expenditure made by a partnership in a taxation year, each member of the partnership shall compute the following as though the whole or part of the expenditure, as the case may be, were an expenditure deductible under section 222 or 223:

- (a) his income or loss, for the year, from the partnership;
- (b) the deduction he is entitled to for the year or any subsequent year under section 726.4.40 or 726.4.50;
- (c) the amount he is deemed to have paid for the year under section 1029.8.0.2 or 1029.8.7.2.”

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

**232.** (1) The said Act is amended by inserting, before section 1050, the following section:

**“1049.20** Where, as a consequence of a renunciation of an amount made by a corporation under sections 726.4.21 to 726.4.26, one or more individuals other than a trust have included one or more amounts in computing their research and development base under section 726.4.32 and where, in respect of that or those latter amounts, all or part of the expenditures in respect of which the corporation has so renounced an amount were not deductible under section 222 or 223, the corporation is liable to a penalty equal to

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



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

(c) 25% of the amount of such expenditures which were not deductible under section 222 or 223, where the amount that would be deemed to have been paid in respect of those expenditures, were it not for the renunciation, would be deemed to have been paid under section 1029.8.6 or 1029.8.10.

In addition, where the corporation contemplated in the first paragraph was a private corporation, the directors of the corporation in office on the date the Ministère du Revenu issued the favourable advance ruling contemplated in paragraph *a* of section 726.4.33 are liable, jointly and severally with the corporation, to the penalty contemplated in the first paragraph."

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

**233.** Section 1050 of the said Act, replaced by section 138 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**"1050.** For the purposes of an appeal brought under this Part respecting a penalty, the burden of establishing the facts contemplated in sections 1049 to 1049.20 is on the Minister."

**234.** (1) Section 1052 of the said Act is amended by replacing paragraphs *b* to *d* by the following paragraphs:

"(b) the thirty-first day following the day when the excess was paid otherwise than following a notice of assessment;

"(c) where the taxpayer is an individual, the thirty-first day following the day on or before which the fiscal return giving rise to the overpayment was required to be filed under sections 1000 to 1003 or should have been filed if the taxpayer had had any tax to pay under this Part for the taxation year relating to the return or where the taxpayer is a corporation, the one hundred and twentieth day following the end of the taxation year giving rise to the overpayment;

"(d) the thirty-first day following the day on which the taxpayer filed, under sections 1000 to 1003, his fiscal return giving rise to the overpayment, unless the return was filed on or before the day on or before which it was required to be filed or should have been filed if the

taxpayer had had any tax to pay under this Part for the taxation year relating to the return.”

(2) This section applies to

(a) a refund or allowance made by the Minister after examinations of a fiscal return filed after 30 June 1988;

(b) an application for refund filed after 30 June 1988.

**235.** (1) Section 1053 of the said Act, amended by section 188 of chapter 67 of the statutes of 1987 and by section 139 of chapter 4 of the statutes of 1988, is again amended by replacing paragraphs *a* to *d* by the following paragraphs:

“(a) the thirty-first day following the day on which an amended fiscal return of the taxpayer or a prescribed form was filed in accordance with section 297, 1012 or 1054 so as to exclude from his income or deduct the amount for the taxation year;

“(b) where, as a consequence of a request in writing, the Minister reassessed the taxpayer’s tax for the year so as to exclude from his income or deduct the amount for the taxation year, the thirty-first day following the day on which the request was made;

“(c) the thirty-first day following the day immediately following the end of the subsequent taxation year relating to the amount excluded from the taxpayer’s income or deducted for the taxation year;

“(d) the thirty-first day following the day on which the taxpayer or his legal representative files his fiscal return under this Part for the subsequent taxation year referred to in paragraph *c*.”

(2) This section applies to applications for carry-over of loss made after 30 June 1988.

**236.** (1) The said Act is amended by inserting, after section 1053, the following section:

**“1053.1** Where, for a particular taxation year, a taxpayer has included in computing his taxable income, in accordance with section 726.24, an amount received in a subsequent taxation year and where an overpayment by him has been refunded or applied on another liability, his tax payable under this Part for the particular taxation year is, for the purposes of computing interest to be paid under section 1052, deemed to be equal to the tax the taxpayer would have been required to pay had he not been entitled to so include such an amount.

Notwithstanding the foregoing, the amount by which the tax payable by the taxpayer under this Part for a particular taxation year is increased as a consequence of the inclusion of an amount described in the first paragraph is, for the purposes of computing interest to be paid under section 1052, deemed to have so increased the tax payable by the taxpayer under this Part for the particular taxation year from the day on or before which he is required to file his fiscal return for the subsequent taxation year or would be required to file such a return if he had any tax to pay under this Part for the subsequent taxation year.”

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

**237.** (1) Sections 1056.1 to 1056.3 of the said Act are replaced by the following sections:

**“1056.1** Notwithstanding any other provision of this Act, the Minister shall pay an advance child allowance to every individual who is entitled thereto in accordance with this title.

**“1056.2** The individual who is entitled to an advance child allowance, the amount to which he is entitled, the date and the terms and conditions of payment of the allowance and any other measure required for the fulfilment of the obligation under section 1056.1 are determined pursuant to the *(insert here the title of the Act replacing the Family Allowances Act (R.S.Q., chapter A-17) pursuant to section 1 of the bill entitled “An Act to amend the Family Allowances Act and other legislation” and the reference to the chapter of the Revised Statutes of Québec of the new Act)*.

**“1056.3** Any amount paid under section 1056.1 to an individual as an advance child allowance for a taxation year is deemed to be an instalment on account of the amount the individual is deemed to have paid under section 776.5.1 for the year.”

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

**238.** (1) Section 1091 of the said Act, amended by section 197 of chapter 67 of the statutes of 1987 and by section 142 of chapter 4 of the statutes of 1988, is again amended by replacing paragraph *a* by the following paragraph:

*“(a) the deductions permitted by sections 710 to 712, 725 and 725.1 to 725.4;”*.

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

**239.** (1) Section 1138.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Subject to section 781.1, where the corporation is associated, within the meaning of Chapter IX of Title II of Book I of Part I with one or several other corporations contemplated in the first paragraph, in any taxation year, the amount it may deduct for the year under this section is nil, unless all the corporations associated with each other during the year have filed with the Minister an agreement on a prescribed form whereby they allocate an amount to one or several of them for the year, for the purposes of this section, and the amount or the aggregate of the amounts allocated, as the case may be, does not exceed \$300 000, in which case the amount which any of the corporations may deduct for the year under this section is the amount so allocated to it.”

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

**240.** (1) Section 1160 of the said Act is amended

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

**“1160.** (1) Every corporation which, at any time in a taxation year, refines petroleum in Québec or allows its installations in Québec to be used for that purpose shall pay, for that year, in addition to the tax provided for in Part IV, an additional tax of 1 % of the amount of its paid-up capital established in accordance with sections 1131 and 1136 to 1138 and reduced in the proportion that the cost to it, at the end of the year, of the aggregate of each beneficiation unit for residual heavy oils, within the meaning of the regulations, called in this Part a “unit”, each prescribed improvement, the cost of which exceeds the amount prescribed, to an existing installation and each new prescribed plant situated in Québec and which it owns at the end of the year is of the amount of its assets referred to in subsections 3 and 4 of section 1138.”;

(2) by replacing subsection 2 by the following subsection:

“(2) For the purposes of subsection 1, where a corporation, at the end of the year, has an interest in a partnership the end of whose fiscal period coincides with the end of the taxation year of the corporation, or, as the case may be, immediately precedes the end of that taxation year and where, at the end of that fiscal period of the partnership, the latter owns a unit, a prescribed improvement, the cost of which exceeds the amount prescribed, to an existing installation or a new prescribed plant situated in Québec, the corporation shall include, in the cost used to reduce the paid-up capital referred to in that

subsection, the proportion of the cost of such unit, prescribed improvement to an existing installation and new prescribed plant to the partnership, at the end of that fiscal period of the partnership, that the share of the corporation in the profits or losses of the partnership is of the shares of all persons in those profits or losses.”;

(3) by adding, after subsection 3, the following subsection:

“(4) For the purposes of this section, the cost of a prescribed improvement to an existing installation or of a new prescribed plant does not include expenses incurred in their respect before 13 May 1988.”

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

**241.** (1) The said Act is amended by inserting, after section 1160, the following section:

**“1160.1** For the purposes of the application of subsection 1 of section 1160 to a taxation year of a corporation beginning after 31 December 1988, the rate of 1% provided for in the first paragraph of the said subsection shall be replaced by the rate of

(a) 0.8% for the taxation year of the corporation beginning after 31 December 1988 and before 1 January 1990;

(b) 0.6% for the taxation year of the corporation beginning after 31 December 1989 and before 1 January 1991;

(c) 0.4% for the taxation year of the corporation beginning after 31 December 1990 and before 1 January 1992;

(d) 0.2% for the taxation year of the corporation beginning after 31 December 1991 and before 1 January 1993.”

(2) This section applies to a taxation year of a corporation beginning after 31 December 1988.

**242.** (1) Section 1162 of the said Act is amended

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

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

“(i) 50% of the expenses incurred by it in Québec in the year, after 12 May 1988, for a prescribed improvement, the cost of which exceeds the amount prescribed, to an existing installation or the

construction of a new prescribed plant situated in Québec of which it is the first owner and for the purchase of the land necessary to use such improvement or new plant;

“(j) 50 % of the amount that it pays in the year, after 12 May 1988, for the purchase, as first successor corporation, of non-redeemable and non-convertible shares issued after 12 May 1988 by a corporation described in section 1162.1.1, other than any amount that it pays as loan costs, brokerage fees or other similar expenses in connection with such shares;

“(k) its share of 50 % of the expenses incurred, after 12 May 1988, by a partnership contemplated in paragraph *e*, in the fiscal period contemplated in that paragraph, for a prescribed improvement, the cost of which exceeds the amount prescribed, to an existing installation, or the construction of a new prescribed plant, situated in Québec of which the partnership is the first owner and for the purchase of the land necessary to use such improvement or new plant;

“(l) its share of 50 % of an amount that a partnership referred to in paragraph *e* pays, after 12 May 1988, in the fiscal period contemplated in that paragraph, for the purchase, as first successor corporation of shares mentioned in paragraph *j*, excluding any amount that such partnership pays as loan costs, brokerage fees or other similar expenses in connection with such shares;

“(m) any amount deductible under paragraphs *i* to *l* for any of the three preceding taxation years, to the extent that such amount was not deducted under this section by the corporation for one of those preceding taxation years.”

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

**243.** (1) The said Act is amended by inserting, after section 1162.1, the following section:

**“1162.1.1** A corporation contemplated in paragraph *j* of section 1162 is any corporation that, in the prospectus or circular respecting the issue of shares mentioned in that paragraph, stipulates that substantially all of the proceeds of such issue will be used after 12 May 1988 for a prescribed improvement, the cost of which exceeds the amount prescribed, to an existing installation situated in Québec of which the corporation is the owner at the end of the year or for the construction of a new prescribed plant situated in Québec of which the corporation will be the first owner, which plant will comprise all or substantially all of the installations of the corporation and which the corporation proposes to lease or operate as its principal business, and

for the purchase of the land necessary to use such improvement or new plant.”

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

**244.** (1) Section 1162.2 of the said Act is replaced by the following section:

**“1162.2** In no case may the aggregate of the amounts deducted under section 1162 for a taxation year exceed the tax mentioned therein; nor may the aggregate of the amounts deducted either under paragraph *c, d, f, g* or *i* to *l* of the said section 1162 for a taxation year or under paragraph *h* of that section for a taxation year, to the extent that the said paragraph *h* refers to an amount referred to in section 1162 as it read for the purposes of its application to a taxation year ending in 1980, or in paragraph *c, d, f* or *g*, as the case may be, for any previous taxation year, or under paragraph *m* of that section for a taxation year, exceed 50% of such tax.”

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

**245.** (1) Section 1162.3 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“1162.3** For the purposes of section 1162, a new corporation resulting from an amalgamation within the meaning of section 544 may, in respect of a deduction provided for by section 1162 for a taxation year ending after the amalgamation, include, as an amount described in any of paragraphs *a* to *m* of section 1162 that is applicable to it, any amount that would be described in that paragraph in respect of a predecessor corporation for the taxation year of the latter that would have coincided with the year or that would have ended therein if such predecessor corporation had continued to exist after the amalgamation and if the taxation year deemed to have ended immediately before the amalgamation had not ended at that time, to the extent that such amount has not been deducted by the new corporation for a previous taxation year nor by the predecessor corporation for its taxation year deemed to have ended immediately before the amalgamation.”

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

**246.** (1) Part V of the said Act is repealed.

(2) This section applies in respect of the computation of the tax to be paid for a corporation's taxation year beginning after 31 December 1992, except where it repeals sections 1163 and 1164 of the Taxation

Act, in which case it has effect from (*insert here the date of assent to this Act*).

**247.** (1) Section 1183 of the said Act, replaced by section 144 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“1183.** Every taxpayer may deduct from the tax payable by him under Part I for a taxation year, computed without taking account of sections 752.1 to 752.5, one-third of the tax paid or, but for paragraph *a* of section 1184, payable by him for the same taxation year under this Part.”

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

**248.** (1) Section 1184 of the said Act, amended by section 145 of chapter 4 of the statutes of 1988, is again amended by replacing paragraph *b* by the following paragraph:

**“(b)** in any other case, the excess must be applied in reduction, in addition to the amount provided for in section 1183, of the tax otherwise payable under Part I for the year or for a subsequent taxation year, computed without taking account of sections 752.1 to 752.5.”

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

## CHAPTER VI

### LICENSES ACT

**249.** (1) Section 46 of the Licenses Act (R.S.Q., chapter L-3), amended by section 146 of chapter 4 of the statutes of 1988, is again amended, in the first paragraph,

(1) by replacing subparagraphs i to iii of subparagraph *a* by the following subparagraphs:

**“i.** 1%, if the overall average of stakes for each race card at the race track during the calendar year preceding the date on which the race is held, hereinafter called “overall average of stakes”, is less than \$125 000;

**“ii.** 2%, if the overall average of stakes is at least \$125 000 but less than \$250 000;

**“iii.** 4%, if the overall average of stakes is \$250 000 or more;”;



(2) by replacing subparagraphs i to iii of subparagraph *b* by the following subparagraphs:

“i. 6%, if the overall average of stakes is less than \$125 000;

“ii. 7%, if the overall average of stakes is at least \$125 000 but less than \$250 000;

“iii. 9%, if the overall average of stakes is \$250 000 or more;”;

(3) by replacing subparagraphs i to iii of subparagraph *c* by the following subparagraphs:

“i. 9%, if the overall average of stakes is less than \$125 000;

“ii. 9.5%, if the overall average of stakes is at least \$125 000 but less than \$250 000;

“iii. 11.5%, if the overall average of stakes is \$250 000 or more.”

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

**250.** (1) Sections 46.1 and 46.2 of the said Act, enacted by section 147 of chapter 4 of the statutes of 1988, are repealed.

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

## CHAPTER VII

### ACT RESPECTING THE MINISTÈRE DU REVENU

**251.** (1) Section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is replaced by the following section:

**“28.** Notwithstanding any inconsistent provision, a claim of the Crown, including interest and penalties, exigible under a fiscal law bears interest at the rate determined according to the rules provided by regulation.

For the purposes of the first paragraph, the Government may, by regulation, establish the rules for the determination of the interest rate. This regulation may, if it so provides, apply to a period prior to its publication.”

(2) This section has effect from 1 July 1988. However, for the period from 1 July 1988 to 31 December 1988, section 28 of the Act respecting the Ministère du Revenu, as enacted by this section, shall read as follows:

**“28.** Notwithstanding any inconsistent provision, a claim of the Crown, including interest and penalties, exigible under a fiscal law bears interest at the rate of 12% for the period from 1 July 1988 to 31 October 1988 and at the rate of 13% for the period from 1 November 1988 to 31 December 1988.”

**252.** (1) Section 30 of the said Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) in the case of an application for a refund, on the thirty-first day after the application;”.

(2) This section applies to an application for a refund made after 30 June 1988.

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

**“59.0.1** For the purposes of section 59, when the failure to file contemplated therein results solely from including, in computing the taxable income of an individual for a taxation year, an amount for the year under section 726.24 of the Taxation Act (R.S.Q., chapter I-3), each day preceding the day on or before which the individual must file his fiscal return for the subsequent taxation year for which he deducted, under section 726.25 of the said Act, an amount that he included in computing his taxable income for the year or on or before which he would be required to file such a declaration if he were required to pay a tax for that subsequent taxation year under this part, and which, but for this section, would be a day during which the failure to file contemplated in section 59 continues, is deemed not to be a day during which the failure continues.”

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

**254.** (1) The said Act is amended by inserting, after section 94.4, the following:

#### “DIVISION I.1

#### “REFUND ADVANCE

**“94.5** When an individual who meets the prescribed conditions considers, in the fiscal return he filed in accordance with section 1000 of the Taxation Act (R.S.Q., chapter I-3) for a taxation year, that he is entitled to a refund, as determined under the second paragraph, not exceeding the prescribed amount, the Minister may, prior to determining the tax payable by the individual for the year and the

exigible interest and penalties, as the case may be, make an advance equal to the amount of the refund so estimated, to the said individual provided that the individual applies for it at the time he files his return.

The refund contemplated in the first paragraph is equal to the aggregate of the amounts to which the individual considers himself so entitled under Part I of the Taxation Act, the Act respecting real estate tax refund (R.S.Q., chapter R-20.1) and section 78 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9).

**“94.6** An advance made under section 94.5 is deemed to be tax payable by the individual under Part I of the Taxation Act (R.S.Q., chapter I-3) and is added to the tax otherwise payable by the individual under this Part for the year.

**“94.7** Where an individual who received an advance under section 94.5 in respect of an estimated refund for a year owes interest under section 1037 of the Taxation Act (R.S.Q., chapter I-3) for that year, the said interest is computed, notwithstanding the said section 1037, in respect of the part of the balance owing which does not exceed the amount of the advance made, for the period commencing on the day the advance was made and ending on the day the balance was paid.”

(2) This section applies in respect of an advance made following the filing of a fiscal return for the taxation year 1988 or a subsequent taxation year.

## CHAPTER VIII

### ACT RESPECTING THE PAYMENT OF ALLOWANCES TO CERTAIN SELF-EMPLOYED WORKERS

**255.** (1) The Act respecting the payment of allowances to certain self-employed workers (R.S.Q., chapter P-1) is repealed.

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

## CHAPTER IX

### ACT RESPECTING REAL ESTATE TAX REFUND

**256.** (1) Section 2 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1), replaced by section 164 of chapter 4 of the statutes of 1988, is amended by replacing paragraph *b* by the following paragraph:

“(b) a person in respect of whom he deducts for the year, in accordance with sections 752.0.1 to 752.0.7 of the Taxation Act (R.S.Q., chapter I-3), an amount under section 752.0.1 of the said Act, pursuant to subparagraph *e* of the said section.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1988 and for subsequent years.

**257.** (1) Section 7.1 of the said Act, replaced by section 167 of chapter 4 of the statutes of 1988, is again replaced by the following section:

**“7.1** The amount equivalent to essential needs contemplated in section 7 is equal to the aggregate of \$260 each for the person contemplated in section 2 and his spouse during the year, where such is the case.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1988 and for subsequent years.

**258.** (1) Section 7.2 of the said Act is repealed.

(2) This section applies in respect of the computation of real estate tax refunds for the year 1988 and for subsequent years.

**259.** (1) Section 8 of the said Act is replaced by the following section:

**“8.** The amount in excess mentioned first in section 7 must not be greater than \$1000.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1988 and for subsequent years.

**260.** (1) Section 10 of the said Act, replaced by section 169 of chapter 4 of the statutes of 1988, is amended

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

“(a) \$6 330 if the person contemplated in section 2 has a spouse and a dependent person during the year;

“(b) \$5 340 if the person contemplated in section 2 has no spouse, but has a dependent person during the year and ordinarily lives, throughout the year, in a self-contained domestic establishment within the meaning of section 1 of the Taxation Act (R.S.Q., chapter

I-3) in which no person other than the person contemplated in section 2 or a dependent person lives during the year;

“(c) \$4 115 if the person contemplated in section 2 is not contemplated in subparagraphs *a* and *b*, and has a dependent person during the year;”;

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

“For the purposes of this section, a person has a dependent person during the year solely if he himself or his spouse during the year, where such is the case, deducts an amount for the year in respect of the person, in accordance with sections 752.0.1 to 752.0.7 of the Taxation Act, under section 752.0.1 of the said Act, pursuant to paragraph *b* of that section, or could so deduct an amount under the said section 752.0.1, pursuant to the said paragraph, were it not for the person’s income for that year and for subparagraph *v* of the said paragraph.

For the purposes of this section, the total income is the aggregate contemplated in subparagraph *c* of the first paragraph of section 776.29 of the Taxation Act.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1988 and for subsequent years. However, where it applies to the computation of real estate tax refunds for the year 1988,

(a) subparagraphs *a* to *c* of the first paragraph of section 10 of the Act respecting real estate tax refund, enacted by this section, shall be read by replacing the word “person” wherever it appears by the word “child”;

(b) the second and third paragraphs of section 10 of the said Act, enacted by this section, shall be read as follows:

“For the purposes of this section, a person has a dependent child during the year only if he himself or his spouse during the year, where such is the case, deducts an amount for the year in respect of the child, in accordance with sections 752.0.1 to 752.0.7 of the Taxation Act, under section 752.0.1 of the said Act, pursuant to paragraph *b* of that section, or could so deduct an amount under the said section 752.0.1, pursuant to the said paragraph, were it not for the child’s income for that year and for subparagraph *v* of the said paragraph, and if subparagraph *ii* of the said paragraph read as follows:

“ii. who, during the year, is under 21 years of age or is 21 years of age or over and in full-time attendance at a school or university;”.

For the purposes of this section, the total income is the aggregate referred to in subparagraph *c* of the first paragraph of section 776.29 of the Taxation Act, and the word “child” has the meaning assigned to it in section 1 of that Act.”

**261.** (1) Section 10.1 of the said Act, replaced by section 170 of chapter 4 of the statutes of 1988, is again replaced by the following section:

“**10.1** Subject to section 10.2, the amount referred to in section 7 is equal to five times the aggregate of the amounts deducted for the year under sections 752.0.1 to 752.0.7 of the Taxation Act by the person contemplated in section 2 and, as the case may be, that person’s spouse during the year, except the amounts deducted under section 752.0.1 of the said Act, pursuant to paragraph *i* of the said section for that year and except the amounts deducted by the spouse for the year under the said section 752.0.1, pursuant to paragraph *a* of the said section, and under the first portion of the part of that section preceding that paragraph.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1988 and for subsequent years.

**262.** (1) Section 10.2 of the said Act, replaced by section 171 of chapter 4 of the statutes of 1988, is amended

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

“(a) the amount deducted by the person contemplated in section 2 under section 752.0.1 of the Taxation Act, pursuant to paragraph *a* of the said section, for the year, is deemed to be equal to the amount the person could deduct under the said section 752.0.1, pursuant to paragraph *a* of the said section for the year if

i. the word “spouse” had, in paragraph *a* of section 752.0.1 of the Taxation Act, the meaning assigned in paragraph *a* of section 1; and”;

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

“(b) where, for the purposes of section 10.1, the person contemplated in section 2 is deemed to deduct an amount under section 752.0.1 of the Taxation Act pursuant to paragraph *a* of the said section for the year and where that person or that person’s spouse during the year deducts an amount under section 752.0.1 of the said Act, pursuant to paragraph *e* of the said section, for the year, the amount that the person or his spouse deducts for the year under the said section 752.0.1 pursuant to the said paragraph *e*, is deemed to be nil;

“(c) where, for the purposes of section 10.1, no amount is deemed to be deducted for the year under section 752.0.1 of the Taxation Act pursuant to paragraph *a* of the said section by the person contemplated in section 2 and where that person deducts an amount under section 752.0.1 of the said Act, pursuant to paragraph *e* of the said section, for the year, the latter amount is deemed to be equal to the amount the person could deduct under the said section 752.0.1 pursuant to the said paragraph *e*, for the year, if the person contemplated therein had no income for that year;”;

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

“(d) the amount deducted for the year under section 752.0.1 of the Taxation Act, pursuant to paragraph *j* of the said section, by the person contemplated in section 2 and, as the case may be, that person’s spouse during the year is computed as though the amount of \$2 200 mentioned in the said paragraph were replaced by the amount of \$10 000.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1988 and for subsequent years.

**263.** Section 14.2 of the said Act, enacted by section 173 of chapter 4 of the statutes of 1988, is replaced by the following section:

“**14.2** The amounts of \$6 330, \$5 340 and \$4 115 mentioned in section 10 must be indexed annually so that each of these amounts to be used for a taxation year subsequent to 1989 becomes that obtained by adding to that amount the amount obtained by multiplying by the same ratio as that prescribed for the purposes of section 752.0.20 of the Taxation Act (R.S.Q., chapter I-3) for the taxation year contemplated therein corresponding to that subsequent year, the amount that would have been applicable for that subsequent year but for this section.

Where an amount referred to in the first paragraph is not a multiple of \$5 where indexed in accordance with that paragraph, it must be rounded off to the nearest multiple of \$5 or, if it is equidistant from two multiples of \$5, to the nearest higher multiple of \$5.”

## CHAPTER X

### ACT RESPECTING THE SOCIÉTÉS D'ENTRAIDE ÉCONOMIQUE

**264.** (1) Section 209 of the Act respecting the sociétés d’entraide économique (R.S.Q., chapter S-25.1) is repealed.

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

## CHAPTER XI

## MEALS AND HOTELS TAX ACT

**265.** (1) Section 2 of the Meals and Hotels Tax Act (R.S.Q., chapter T-3) is amended by inserting, after subsection 9, the following subsection:

“9.1 Tax shall not be imposed on the price of a meal bought by an establishment or institution excluded in subparagraph *a* of paragraph 1 of section 1 if the meal is prepared and served in this establishment or institution for its customers or beneficiaries.”

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

## TITLE II

## MISCELLANEOUS PROVISIONS

## CHAPTER I

PAYMENT OF COMPENSATION TO CERTAIN  
RECIPIENTS OF SOCIAL AID

**266.** (1) The Minister of Revenue shall pay, within the time prescribed in the second paragraph, to every person entitled to an availability allowance under section 776.2 of the Taxation Act (R.S.Q., chapter I-3) in respect of which an amount has been determined for the year 1987 under the second paragraph of section 776.2R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), a sum equal to the amount obtained by multiplying \$25 by the number of months in the year 1987 for which the individual received a sum of money as social aid within the meaning of the Social Aid Act (R.S.Q., chapter A-16) or social assistance payments paid by the Minister of Indian Affairs and Northern Development of Canada.

The Minister shall pay the sum provided for in the first paragraph to the person contemplated therein, on or before the later of the following dates:

(a) 31 December 1988;

(b) 30 days after the day on which the person filed his fiscal return as provided in section 1000 of the Taxation Act for his taxation year 1987.



Any amount granted under this section to a person contemplated in the first paragraph shall be taken out of the consolidated revenue fund and paid to the person only once and in a single payment.

(2) This section has effect from 12 May 1988.

## CHAPTER II

### COMPENSATION FOR COSTS

**267.** This chapter applies to every case pending before the courts on 2 March 1988 pertaining to rolling stock which contests the legality of:

(1) either the Regulation respecting the exemption prescribed in paragraphs *aa* and *ab* of section 15 of the Retail Sales Tax Act (O.C. 2397-76 of 7 July 1976), as amended from 12 May 1976 to 31 July 1982;

(2) or the Regulation respecting the exemption provided for in paragraphs *z* and *aa* of section 17 of the Retail Sales Tax Act (R.R.Q., 1981, chapter I-1, r.9), as amended to 2 March 1988, prior to its repeal by this Act.

However, this chapter does not apply to any case arising from an appeal that has not been instituted according to law under section 21.1 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) or under sections 1066 to 1079 of the Taxation Act (R.S.Q., chapter I-3).

**268.** For the purposes of this chapter, the expression “rolling stock” has the meaning assigned in the regulations mentioned in section 267 but does not include property the sale of which, in the absence of such regulations, would not be the object of the exemption which is provided

(1) either in paragraph *aa* or *ab* of section 15 of the Retail Sales Tax Act (R.S.Q., 1964, chapter 71), as amended from 12 May 1976 until 31 August 1979;

(2) or in paragraph *z* or *aa* of section 17 of the Retail Sales Tax Act (R.S.Q., chapter I-1), as amended to 2 March 1988.

**269.** Subject to section 271, the Minister of Revenue shall pay the compensation contemplated in section 270 to every person who is a party to a case contemplated in section 267. He shall also pay such compensation to the attorney who, on 2 March 1988, represented that person in the case.

Notwithstanding the first paragraph, where several cases contemplated in section 267 concern duties pertaining to the same rolling stock, the Minister shall not, in respect of these cases, make more than one payment of compensation to the person who is a party thereto nor more than one payment of compensation to the attorney of the person.

The Minister shall not, however, pay any compensation under the first or second paragraph if the Government has already made a payment under sections 22 to 25 or 58 to 61 of the Tariff of judicial fees of advocates (R.R.Q., 1981, chapter B-1, r. 13), as amended, in respect of such case.

**270.** The compensation is calculated in accordance with the rules provided in Divisions III and V of the Tariff of judicial fees of advocates according to the class of action determined on the basis of an amount equivalent to

(1) either the exigible duties pertaining to rolling stock that were unpaid at the time of issuance of the contested notice of assessment,

(2) or the duties paid pertaining to rolling stock which have not appeared on any notice of assessment and the refund of which is claimed in a case.

Notwithstanding the first paragraph, where several cases contemplated in section 267 concern duties pertaining to the same rolling stock, the compensation is calculated according to the class of action determined on the basis of the lesser of the amounts contemplated in subparagraphs 1 and 2 of the first paragraph.

**271.** Entitlement to compensation under section 269 in respect of a case mentioned in section 267 commences on the first of the following days:

(1) the date of filing in the office of the court of a definitive waiver of contestation of the legality of the regulations mentioned in section 267;

(2) the date of filing in the office of the court of a discontinuance of the case where the discontinuance has been served on the opposite party;

(3) the date of the presentation of a discontinuance of the case at the trial;

(4) the date of filing in the office of the court of a waiver of judgment;

(5) the date of expiry of the delay for appeal from the final judgment where no appeal has been instituted according to law.

Subparagraphs 2, 3 and 4 of the first paragraph apply in respect of the part of the case or the judgment concerning the legality of the regulations mentioned in section 267.

**272.** Notwithstanding any other Act or regulation, the compensation provided in this chapter replaces any amount that the Government could otherwise be required to pay in respect of costs or fees involved in the cases contemplated in section 267.

Nothing in the first paragraph shall prevent the Government from paying costs or fees under the Tariff of judicial fees of advocates involved in the part of a case contemplated in section 267 which does not pertain to rolling stock.

**273.** Every decision by the Minister of Revenue pursuant to the provisions of this chapter is final. It is binding on all persons, and notwithstanding the provisions of any other Act, is not subject to appeal, examination or review by any court whatsoever.

In addition, no extraordinary recourse provided in articles 834 to 850 of the Code of Civil Procedure (R.S.Q., chapter C-25) may be exercised, nor may any injunction be granted against the Minister in respect of such a decision.

Two judges of the Court of Appeal may, upon motion, annul any writ, order or injunction issued or granted contrary to the first or second paragraph.

[[**274.** The sums required for the payment of compensation shall be taken out of the consolidated revenue fund.]]

### CHAPTER III

#### COMING INTO FORCE

**275.** This Act comes into force on (*insert here the date of assent to this Act*).