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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-THIRD LEGISLATURE

Bill 2

## **An Act to amend various fiscal laws and other legislation**

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**Introduction**

**Introduced by  
Mr Michel Gratton  
Minister of Revenue**

JAN '85 1985

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## EXPLANATORY NOTES

*This bill amends various fiscal laws and certain other legislative provisions as a follow up to the Ministerial Statements made by the Minister of Finance on 19 December 1984 and 8 May 1985 and his Budget Speeches of 22 May 1984 and 23 April 1985.*

*First, this bill amends the Automobile Insurance Act to allow the changing, owing to the taxation of automobile insurance premiums, of the amount payable on the issue or renewal of a driver's licence or an automobile registration.*

*Secondly, it amends the Highway Safety Code to make it concordant with the amendments made to the Automobile Insurance Act.*

*Thirdly, it amends the Succession Duty Act to abolish the obligation to pay duty on successions opened after 23 April 1985, and to retain the obligation to obtain a disposal permit for successions opened between 23 April 1985 and 1 January 1986. The Act is simply repealed in respect of successions opened after 31 December 1985.*

*Fourthly, this bill amends the Land Transfer Duties Act to shorten the repayment time from four years to three years.*

*Fifthly, it amends the Act respecting municipal taxation in order to revise the taxation privileges enjoyed by timber producers.*

*Sixthly, it amends the Retail Sales Tax Act,*

*(1) to specify the terms and conditions of taxation of property acquired outside Canada and brought into Québec for consumption;*

*(2) to make sales tax applicable to coins and new stamps bought at a higher price than their face value, except gold Maple Leaf coins struck by the Royal Canadian Mint;*

*(3) to limit the exemption on sales of bulbs, shrubs, trees and other plants;*

*(4) to broaden the exemption in respect of property designed to alleviate a physical deficiency to include component or replacement parts;*

*(5) to exempt hospital centres in respect of certain property they acquire;*

*(6) to limit the exemption respecting the sale or rent of films and video cassettes;*

*(7) to exclude pet food from the exemption on food sales;*

*(8) to provide for the reimbursement of the tax paid on the amount of federal sales tax which has been reimbursed;*

*(9) to make the 9% tax applicable to insurance premiums;*

*(10) to make a certain number of technical changes.*

*Seventhly, it amends the Tobacco Tax Act to raise the tobacco tax rate from 50% to 60%, to fix the average sale price of a package of twenty-five cigarettes at \$1.50 for the purposes of computing the tax and to reduce the rate of the contribution to the financing of the Olympics deficit from 24.545% to 17.974% of the tax collected.*

*Eighthly, it makes amendments to the Taxation Act and the Act respecting the application of the Taxation Act similar to those made to the Income Tax Act and the Income Tax Application Rules, 1971 by Bill C-7 of the federal parliament, assented to 20 December 1984 (S.C. 1984, chapter 45), and amendments to introduce Québec fiscal measures arising from the Budget Speech of 23 April 1985, namely:*

*(1) introduction of a mode of taxation of share purchase options granted to employees;*

*(2) increase of the general deduction for expenses relating to an employment;*

*(3) introduction of a deduction for certain individuals working for an international financial business;*

*(4) restriction of the qualification for the deduction for certain Québécois working abroad;*

*(5) revision of the deduction for child care expenses and personal exemptions;*

- (6) *introduction of a deduction for an international financial business;*
- (7) *reduction of taxation rates;*
- (8) *introduction of a mode of recovery of Québec family allowances;*
- (9) *discontinuance of a tax credit on the purchase of shares of a SODEQ after 23 April 1985;*
- (10) *introduction of a tax credit for consumer taxes;*
- (11) *revision of the Stock Savings Plan, particularly as to the rate of deduction, the ceiling, investment groups and SODEQs;*
- (12) *introduction of a tax deduction in respect of Québec business investment companies and cooperative investment plans;*
- (13) *revision of the method of computing capital gains tax for farming corporations and international financial businesses;*
- (14) *revision of the method of computing of additional capital gains tax for oil refining corporations;*
- (15) *abolition of gift tax.*

*This bill also makes technical amendments to the Taxation Act to clarify or correct certain of its existing provisions which do not precisely reflect the statements of fiscal policy they were designed to implement.*

*Ninthly, it amends the Act respecting the Ministère du Revenu to introduce into it the obligation of obtaining a certificate authorizing the distribution of property transferred by death, to establish certain procedures concerning such property held in safe-deposit boxes, to make failure to observe these requirements an offence and to create a penalty for failure to make an obligatory payment of tax on insurance premiums.*

*Tenthly, it amends the Act respecting the payment of allowances to certain self-employed workers to take account of the amendments to the Taxation Act relating to personal exemptions.*

*Eleventhly, it amends the Act respecting the Régie de l'assurance-maladie du Québec to exempt employers from the requirement of contributing to the Québec health insurance plan in respect of certain employees working in international financial businesses.*

*Twelfthly, it amends the Act respecting real estate tax refund to take account of amendments made to the Taxation Act relating to personal*

*exemptions and the time for notice of assessment, and to revise the mode of computing the amount of a refund of real estate tax.*

*Thirteenthly, it amends the Act respecting work income supplement to take account, first, of the amendments made to the Taxation Act relating to the time for the notice of assessment from the Minister of Revenue and, secondly, to change the basis of computing the reimbursement.*

*Finally, the bill introduces certain technical amendments to sections 5, 12 and 16 of the Act respecting Québec business investment companies (1985, chapter 9) and section 7 of the Act to amend the Taxation Act and other fiscal legislation (1985, chapter 25).*

#### ACTS AMENDED BY THIS BILL

- (1) The Automobile Insurance Act (R.S.Q., chapter A-25)
- (2) The Highway Safety Code (R.S.Q., chapter C-24.1)
- (3) The Succession Duty Act (R.S.Q., chapter D-13.2)
- (4) The Land Transfer Duties Act (R.S.Q., chapter D-17)
- (5) The Act respecting municipal taxation (R.S.Q., chapter F-2.1)
- (6) The Retail Sales Tax Act (R.S.Q., chapter I-1)
- (7) The Tobacco Tax Act (R.S.Q., chapter I-2)
- (8) The Taxation Act (R.S.Q., chapter I-3)
- (9) The Act respecting the application of the Taxation Act (R.S.Q., chapter I-4)
- (10) The Act respecting the Ministère du Revenu (R.S.Q., chapter M-31)
- (11) The Act respecting the payment of allowances to certain self-employed workers (R.S.Q., chapter P-1)
- (12) The Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5)
- (13) The Act respecting real estate tax refund (R.S.Q., chapter R-20.1)
- (14) The Act respecting work income supplement (R.S.Q., chapter S-37.1)

(15) The Act respecting Québec business investment companies  
(1985, chapter 9)

(16) The Act to amend the Taxation Act and other fiscal legislation  
(1985, chapter 25)



## Bill 2

### An Act to amend various fiscal laws and other legislation

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

**1.** The Automobile Insurance Act (R.S.Q., chapter A-25) is amended by inserting, after section 202, the following sections:

**“202.1** Notwithstanding section 151, the Régie, without actuarial valuation but with the approval of the Government, may alter the exigible sums fixed under that section which are in force on 23 April 1985.

The alteration has effect from 24 April 1985 but does not apply to a person who before that date received a renewal notice respecting a registration or a driver's licence and who paid the exigible amounts before 16 June 1985.

**“202.2** The first regulation made after (*insert here the date preceding the date of assent to this Act*) under paragraph *n* of section 195 is not subject to the first paragraph of section 197 and has effect from 24 April 1985.”

**2.** The Highway Safety Code (R.S.Q., chapter C-24.1) is amended by inserting, after paragraph 3 of section 143, the following paragraph:

“(3.1) prescribe, on such conditions as it may determine, cases of exemption from or reduction of the duties payable for licences;”.

**3.** The said Code is amended by inserting, after section 567, the following sections:

**“567.1** The first regulation made under paragraph 3.1 of section 143 is not subject to the requirements of the first paragraph of section 563 and has effect from 24 April 1985.

**“567.2** The first regulation made after (*insert here the date preceding the date of assent to this Act*) under paragraph 3 of section 58 which provides cases of exemption from registration duties is not subject to the requirements of the first paragraph of section 563 and has effect from 24 April 1985.”

**4.** (1) Sections 2 to 5, 14, 16 to 49, 63 and 64 and paragraph *a* of section 67 of the Succession Duty Act (R.S.Q., chapter D-13.2) are repealed.

(2) This section applies in respect of successions opening after 23 April 1985.

**5.** (1) Section 55 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The Minister shall issue the permit where no amount is payable under any fiscal law by the deceased person or his succession or where he has accepted guarantees he deems sufficient to ensure payment of such an amount.”

(2) This section applies in respect of successions opening after 23 April 1985.

**6.** (1) The said Act is repealed.

(2) This section applies in respect of successions opening after 31 December 1985.

**7.** (1) Sections 22 and 23 of the Land Transfer Duties Act (R.S.Q., chapter D-17) are replaced by the following sections:

**“22.** The Minister shall refund the duties paid under this Act where the transferee establishes, within three years of the date of transfer, that he could have been exempted from payment of the duties if the conditions provided for had been met.

**“23.** The Minister shall refund an amount equal to the amount of duties paid in excess of the amount that should have been paid where the transferee establishes, before the expiry of three years after the date of transfer, that the value of the consideration furnished by him would have been reduced by an amount greater than that granted in

application of section 16, if the proceeds of disposition contemplated in the said section had been finally fixed at the time the duties were paid.”

(2) This section applies in respect of transfers occurring after 1 January 1986.

**8.** (1) Sections 220.2 to 220.4 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1), enacted by section 101 of chapter 27 of the statutes of 1985, are replaced by the following sections:

“**220.2** This subdivision applies to every person who holds a timber producer’s certificate that was issued to him by the Minister for Forests pursuant to the regulations made under subparagraphs *e* to *g* of the first paragraph of section 161 of the Lands and Forests Act (R.S.Q., chapter T-9).

“**220.3** Every person contemplated in this subdivision may receive a reimbursement of part of the real estate taxes paid in respect of the immovables included in an assessment unit entered on the certificate contemplated in section 220.2 for a municipal or school fiscal period if he applies therefor to the Minister of Revenue, in the manner and upon filing the information determined by the Minister, not later, in the case of an individual, than 30 April of the year following that fiscal period or, in the case of a corporation, before the expiry of 18 months after that fiscal period.

The reimbursement is equal to 85 % of the product obtained by multiplying the aggregate of real estate taxes paid and not reimbursed otherwise than pursuant to this section, in respect of an assessment unit, by the ratio between the value of the land and the total value of the unit according to the entry of these values on the assessment roll in force for the fiscal period.

“**220.4** The application for reimbursement shall be made at the same time as the fiscal return contemplated in section 1000 of the Taxation Act (R.S.Q., chapter I-3) and shall relate to the aggregate of all taxes payable in respect of an assessment unit for a municipal or school fiscal period to the municipal corporation or the school board, as the case may be; a person making such an application shall file the return even if he is not subject to payment of tax under that Act.”

(2) This section applies to applications for reimbursement of real estate taxes made by persons holding forest producer’s certificates for municipal fiscal periods subsequent to 31 December 1985 or for school fiscal periods subsequent to 30 June 1985.

**9.** (1) Section 220.6 of the said Act, enacted by section 101 of chapter 27 of the statutes of 1985, is replaced by the following section:

**“220.6** Section 1052 of the Taxation Act applies, adapted as required, to the payment or allocation of the reimbursement contemplated in section 220.5.

Where several persons are entitled to a reimbursement in respect of the same units, the reimbursement shall be paid to the person whose name appears on the tax account or allocated to his account.”

(2) This section applies to applications for reimbursement of real estate taxes made by persons holding forest producer’s certificates for municipal fiscal periods subsequent to 31 December 1985 or for school fiscal periods subsequent to 30 June 1985.

**10.** (1) Section 220.8 of the said Act, enacted by section 101 of chapter 27 of the statutes of 1985, is amended by replacing paragraphs 1 and 2 by the following paragraphs:

“(1) within three years after the mailing of the notice contemplated in section 220.5;

“(2) at any time, if the applicant misrepresented the facts through negligence or wilfull omission, committed a fraud in making his application or furnishing any other information in view of obtaining a certificate contemplated in section 220.2 or payment of a reimbursement provided for by this subdivision, or if he did not respect the undertakings contracted to obtain the issue of such a certificate to him.”

(2) This section applies to applications for reimbursement of real estate taxes made by persons holding timber producer’s certificates for municipal fiscal periods subsequent to 31 December 1985 or for school fiscal periods subsequent to 30 June 1985.

**11.** (1) The said Act is amended by inserting, after section 220.10, the following sections:

**“220.11** The sums required for payment of a reimbursement of real estate taxes owing pursuant to this subdivision shall be taken out of the fiscal receipts collected under the Taxation Act.

**“220.12** Every person who after benefiting by this subdivision in respect of an assessment unit for a municipal or school year receives a reimbursement of the same real estate taxes pursuant to other provisions of this Act shall remit to the Minister an amount

corresponding to 85% of the reimbursement, and section 220.9, adapted as required, applies to this remittance.

**“220.13** If an assessment unit ceases to be entered on a certificate contemplated in section 220.2 because it no longer qualifies for such entry under the regulations mentioned in that section, the person required to pay the taxes in respect of that unit shall pay to the Minister of Revenue the amount of reimbursements of real estate tax disbursed by the Minister for each municipal or school fiscal period and that have not been reimbursed to him in accordance with section 220.9 or 220.11 for not more than the last ten fiscal periods, and section 220.9, adapted as required, applies to this remittance.”

(2) This section applies to applications for the reimbursement of real estate taxes made by persons holding forest producer's certificates for municipal fiscal periods subsequent to 31 December 1985 or for school fiscal periods subsequent to 30 June 1985.

**12.** (1) Section 229 of the said Act, replaced by section 102 of chapter 27 of the statutes of 1985, is again replaced by the following section:

**“229.** Sections 220.2 to 220.13, 221, 224, 225, 226 to 228, paragraph 3 of section 262 and section 265 are considered to be fiscal law within the meaning of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).”

(2) This section applies to applications for reimbursement of real estate taxes made by persons holding forest producer's certificates for municipal fiscal periods subsequent to 31 December 1985 or for school fiscal periods subsequent to 30 June 1985.

**13.** (1) The Retail Sales Tax Act (R.S.Q., chapter I-1) is amended by inserting, after section 1, the following:

“CHAPTER I”.

(2) This section has effect from 24 April 1985.

**14.** (1) The said Act is amended by inserting, after section 2.1, the following:

“CHAPTER II

“TAXATION OF SALES OF MOVABLE PROPERTY

“DIVISION I”.

(2) This section has effect from 24 April 1985.

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

“DIVISION II”.

(2) This section has effect from 24 April 1985.

**16.** (1) Section 7 of the said Act, amended by section 3 of chapter 25 of the statutes of 1985, is again amended by replacing paragraph *a* by the following paragraph:

“(a) in the case of property produced by a person in Canada outside Québec and brought into Québec within twelve months of its production, the production cost of the property;”.

(2) This section has effect from 24 April 1985.

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

“**7.1** Where a person is required to pay the tax provided for in section 6 or 7 and the property sold was delivered outside Canada, the purchase price of the property for that person includes customs duties, excise duties, excise taxes, federal sales tax, transportation costs and any other expense he incurred to bring the property into Canada.

The person shall pay to the Minister a tax at the rate provided in the first paragraph of section 6 on the additional items mentioned in the first paragraph on the date when the property begins to be used or consumed in Québec.”

(2) This section has effect from 24 April 1985.

**18.** (1) Sections 11 and 12 of the said Act are replaced by the following sections:

“**11.** The tax imposed by this chapter shall be calculated separately on every purchase or lease, and any fraction of a cent shall be counted as one cent.

“**12.** If the purchase price or rental of a taxable movable property is less than the real value of the property or of its lease, is not specified or is combined with the purchase price or rental of non-taxable property or services, the Minister may fix the purchase price or rental which shall serve as the basis for the taxation provided for in this chapter.”

(2) This section has effect from 24 April 1985.

**19.** (1) Section 14.1 of the said Act, enacted by section 7 of chapter 25 of the statutes of 1985, is amended by replacing the second paragraph by the following paragraph:

“Every person who is required to pay the tax under section 7, 7.1, 8 or 10.1 is under the same requirement and this obtains at the time provided in those sections or by regulation.”

(2) This section has effect from 24 April 1985.

**20.** (1) The said Act is amended by replacing the heading preceding section 17 by the following:

“DIVISION III

“EXEMPTIONS AND REIMBURSEMENTS”.

(2) This section has effect from 24 April 1985.

**21.** (1) Section 17 of the said Act is amended

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

“**17.** The tax provided for by this chapter does not apply to the following:

(a) Sales of bonds, shares of a corporation, securities or any other similar intangible property, nor to sales of debts, rights of action, annuities, insurance, incorporeal rights, moneys or postage stamps, except the following property, the sale of which is taxable:

i. telephone service and lighting service;

ii. coins sold at higher than their face value expressed in Canadian money, except gold Maple Leaf coins struck by the Royal Canadian Mint;

iii. cancelled postage stamps, as well as any non-cancelled postage stamp if it is sold at a price higher than its postage value expressed in Canadian money;”;

(2) by striking out paragraphs *c* and *d*;

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

“(h) Sales of bulbs, shrubs, trees and other plants

i. acquired for cultivation for sale as part of an enterprise;

ii. used for reforestation; or

iii. acquired to obtain products ordinarily used for human consumption;”;

(4) by replacing paragraphs *l* and *l.1* by the following paragraphs:

“(*l*) Sales of medicaments on physicians’ prescriptions, sales of medicaments to an establishment within the meaning of the Act respecting health services and social services (R.S.Q., chapter S-5) or sales of dogs trained to serve as guides to the blind;

“(*l.1*) Sales of

i. prostheses or orthopedic devices;

ii. ophthalmic lenses to relieve or correct defects of vision, or of the mountings supporting such lenses;

iii. optical readers used by blind persons and designed to instantaneously transcribe texts printed in braille or in a form similar to braille;

iv. mechanical lifts designed solely to permit handicapped persons access to the various storeys of buildings;

v. goods designed to alleviate a physical deficiency or a handicap, where such sales are made under the conditions prescribed by regulation to persons suffering from such a deficiency or handicap or to the father, mother or tutor of such a person, or where such sales are made to an establishment within the meaning of the Act respecting health services and social services;

vi. components or replacement parts for the property described in subparagraphs i to v;

vii. materials for the manufacture or repair of property described in subparagraphs i to vi;”;

(5) by replacing paragraph *ae* by the following paragraph:

“(*ae*) Sales of

i. phonograph records, magnetic tapes and other goods of a similar nature carrying a sound recording that a person acquires for the purposes of public broadcasting by a radio or television station;

ii. cinematographic films and magnetoscopic tapes carrying visual recordings acquired by a non-profit organization, or by a person for purposes of public broadcasting by a television station or a cinema;”.

(2) This section has effect from 24 April 1985.

**22.** (1) Section 18.1 of the said Act, amended by section 10 of chapter 25 of the statutes of 1985, is again amended by replacing the first paragraph by the following paragraph:

“**18.1** For the purposes of paragraph *g* of section 17, the tax provided for by this chapter applies to

(a) sales of candies, except maple sugar and maple taffy;

(b) sales of alcohol, beer elsewhere than in taverns, aerated water to which essence or syrup has been added, spirits or wine, the price of which is not taxed under the Meals and Hotels Tax Act (R.S.Q., chapter T-3);

(c) sales of food products intended for household pets, except those purchased by a person who, as part of an enterprise, raises or keeps such pets for sale.”

(2) This section has effect from 24 April 1985.

**23.** (1) The said Act is amended by inserting, after section 20.8, the following:

“**20.9** A person is entitled to the reimbursement of the tax paid by him in respect of an amount reimbursed to him pursuant to the Excise Tax Act (Statutes of Canada).

### “CHAPTER III

#### “TAXATION OF INSURANCE PREMIUMS

##### “DIVISION I

###### “SCOPE

“**20.10** The object of this chapter is to tax insurance premiums.

All amounts payable to obtain for oneself or another on the occurrence of a risk a benefit payable by an insurer or another person, including contributions to an uninsured social benefits plan, assessments, premium deposits or membership fees, are deemed to be insurance premiums.

“**20.11** The following are subject to the tax:

(a) persons resident in Québec or carrying on business in Québec;

(b) persons not resident in Québec nor carrying on business in Québec, in respect of insurance of property situated in Québec.

**“20.12** A person is resident in Québec if he is ordinarily resident in Québec or if he is deemed to be resident in Québec pursuant to the Taxation Act (R.S.Q., chapter I-3).

**“20.13** A person carries on business in Québec if he has an establishment in Québec or if he is deemed to have an establishment in Québec pursuant to the Taxation Act (R.S.Q., chapter I-3).

**“20.14** For the purposes of this chapter, an uninsured social benefits plan is a plan which gives protection against a risk that could otherwise be obtained by taking out a policy of insurance of persons, whether the benefits are partly insured or not.

The plan is deemed to be a policy of insurance of persons.

## “DIVISION II

### “TAX

**“20.15** Every person subject to the tax shall, when paying an insurance premium, pay a tax equal to 9 % of the premium.

Notwithstanding the foregoing, where the premium is paid by instalments, the tax shall be computed and paid pro rata to the premium paid.

**“20.16** A person resident or carrying on business in Québec is deemed to pay the insurance premium paid by a person not subject to the tax in respect of the insurance policy concerned

(a) where he is the owner of the insurance policy;

(b) where he has consented to the transfer of his insurable interest to a person not subject to the tax in respect of the policy;

(c) where he has assigned his insurance policy to a person not subject to the tax in respect of the policy; or

(d) where he has an interest in property situated in Québec or carries on an activity in Québec and a person not subject to the tax in respect of the policy is the owner of the insurance policy relating to that interest or activity.

The same rule applies to a person not resident in Québec nor carrying on business in Québec who has an interest in property situated in Québec

if the premium for the insurance policy is paid by a person not subject to the tax in respect of the policy.

In the cases described in this section, the person is deemed to have paid a premium equal to that paid by the person not subject to the tax and to have paid it on the date the latter paid the premium.

### “DIVISION III

#### “SPECIAL PROVISIONS RESPECTING CERTAIN KINDS OF INSURANCE

#### “§ 1.—*Insurance of Persons*

“**20.17** The following are deemed to be insurance premiums:

(a) administration costs connected with a policy of insurance of persons which are payable to the person who receives the premium;

(b) an amount payable to make up a deficit relating to a policy of insurance of persons, whether or not the policy is in force at the time of the payment.

“**20.18** The deposit of an amount in a fund created to obtain a benefit for oneself or another on the occurrence of a risk is deemed to be payment of an insurance premium.

“**20.19** For the purposes of section 20.15, the premium for a personal life-insurance policy is

(a) the premium less the policyowner’s dividend where the policy provides that

i. it ceases without value at maturity before the life-insured reaches 85 years of age; or

ii. it has no cash surrender value before death nor any value at maturity;

(b) in all other cases, 40 % of the difference between the premium and the policyowner’s dividend.

For the purposes of this section, the policyowner’s dividend is the amount of that dividend paid to the policyowner after 23 April 1985 which has not previously been deducted in computing a premium.

“**20.20** Notwithstanding subparagraph *b* of the first paragraph of section 20.19, the Minister may determine that the premium for a

personal life-insurance policy is the premium provided for in subparagraph *a* of that paragraph, where he considers that the value at maturity provided in the contract is only symbolic.

**“20.21** For the purposes of determining the premium for a personal life-insurance premium after 23 April 1986, the insurer shall establish a separate premium for every coverage that is additional to the principal insurance coverage, and each such additional coverage is deemed to be the subject of a policy independent of that respecting the principal insurance coverage.

*“§ 2.—Damage Insurance*

**“20.22** Administration costs connected with a damage insurance policy, except those payable to a person other than the insurer and separately indicated on the invoice, are deemed to be insurance premiums.

**“20.23** Health or accident insurance issued without right of renewal for a duration of less than six months or in connection with a travel ticket is deemed to be damage insurance.

**“20.24** For the purposes of section 20.15, where a damage insurance premium payable by a person who carries on business in Québec is over \$1 000 for the period of coverage and only part of the premium is attributable to a risk that might occur in Québec, the premium is that determined by regulation if the conditions prescribed in the regulation are met.

If the conditions are not met, the tax is computed on the whole premium.

“DIVISION IV

“EXEMPTIONS

**“20.25** The tax provided for in this chapter does not apply to

(a) the premium for a personal life-insurance policy

i. payable under a premium exemption coverage;

ii. payable by a person resident in Québec who carries on business in Québec and elsewhere where the premium is in respect of an insured person resident outside Québec and relates to a policy subscribed for business purposes;

iii. payable by a person not resident in Québec who carries on business in Québec and elsewhere where the premium is in respect of an insured person who resides outside Québec;

(b) the premium for a policy of group insurance of persons or for an uninsured social benefits plan

i. payable by an employer in respect of an employee who presents himself for work at an establishment of the employer situated outside Québec or who is not required to present himself for work at an establishment of his employer and whose salary or wages are paid from such an establishment situated outside Québec;

ii. payable in respect of a person resident outside Québec by a person who carries on business in Québec and elsewhere and who is not contemplated in subparagraph i;

(c) the premium for an uninsured social benefits plan payable by an employer in respect of an employee or by an organization in respect of a member in an amount not greater than that required for payment of foreseeable and payable benefits for 30 days after payment of the premium;

(d) the premium for a damage insurance policy where the premium is wholly attributable to the occurrence of a risk outside Québec;

(e) a premium payable out of another taxable premium;

(f) a premium payable under a contract of marine insurance, reciprocal insurance or reinsurance;

(g) the contribution payable under an annuity contract;

(h) the amount in respect of an additional coverage policy under the terms of which a person undertakes to assume the cost of repair or replacement of property or part thereof if it is defective or malfunctions;

(i) the amount payable to obtain a surety;

(j) the premium payable by a *fabrique* or a parish warden or trustee under an insurance policy relating to objects used for religious worship or religious activities;

(k) the premium payable by a cemetery association, company or corporation under an insurance policy relating to property used for the cemetery or for cemetery activities;

- (l) the premium determined by regulation payable by an Indian or an Indian band if the conditions prescribed by regulation are met;
- (m) the premium, assessment or contribution payable under
- i. the Workmen's Compensation Act (R.S.Q., chapter A-3);
  - ii. the Act respecting industrial accidents and occupational diseases (1985, chapter 6);
  - iii. the Publishers Loss Insurance Act (R.S.Q., chapter A-27);
  - iv. the Crop Insurance Act (R.S.Q., chapter A-30);
  - v. the Act respecting farm income stabilization insurance (R.S.Q., chapter A-31);
  - vi. the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5);
  - vii. the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9);
  - viii. the Unemployment Insurance Act, 1971 (Statutes of Canada).

#### "DIVISION V

##### "REIMBURSEMENT OF TAX

**"20.26** A person who fully or partially reimburses an insurance premium shall also reimburse the tax he collected in respect thereof.

The reimbursement is computed pro rata to the reimbursed premium and is deducted from the amount of the tax collected by the person during the month.

#### "DIVISION VI

##### "ADMINISTRATION

#### *"§ 1.—Registration certificate and collection and remittance of the tax*

**"20.27** A person who receives payment of a premium for a policy of insurance of persons shall collect the tax at the same time.

The person shall remit the tax to the Minister if he is not required to remit the premium to another person or if he is required to remit it to a person who does not hold a registration certificate.

In other cases, he shall remit the tax, at the same time as the premium, to the person to whom he remits the premium.

**“20.28** The tax on a damage insurance premium shall be collected at the same time as the premium and remitted to the Minister by

(a) the insurance broker, except in respect of any premium remitted to him by a travel agent;

(b) the insurer, where the premium has not been remitted to a travel agent or an insurance broker or where it has been remitted to an insurance broker from outside Québec who does not furnish proof to him that the tax has been remitted to the Minister;

(c) the travel agent; or

(d) any other person who receives payment of an insurance premium which he is not required to remit to another person, including an organization which receives payment of a premium payable under an Act.

**“20.29** Every person required to remit the tax provided for in this chapter to the Minister shall hold a registration certificate issued under this Act.

Paragraphs 2 to 5 of section 3 and section 5, adapted as required, apply to the certificate.

**“20.30** Every person who holds or who is required to hold a registration certificate shall act as agent for the Minister, keep account of amounts collected, report them and remit them to him on or before the fifteenth day of each month for the preceding calendar month or at the time prescribed by regulation, even if no payment of any insurance premium subject to the tax has been received during the month.

**“20.31** Where the tax provided for by this chapter is not collected by the person subject to the tax at the time of payment of the premium, the person shall, at that time, make a report to the Minister, including the invoice or statement where necessary and any information he may require, and at the same time remit the tax to him.

*“§ 2.—Certification*

**“20.32** A person subject to the tax who pays an insurance premium part of which is not taxable shall certify, on the form authorized by the Minister and in the cases prescribed by regulation, what portion of the premium is taxable, to the person required to collect the tax.

“§ 3.—*Computation and separate indication of the tax*

“**20.33** The tax provided for by this chapter shall be computed separately for each premium payment and any fraction of a cent shall be counted as one cent.

Notwithstanding the foregoing, where a damage insurance premium is greater than \$11, the person who collects the tax may round it off to the nearest dollar.

“**20.34** The tax shall be shown separately from the premium on any invoice or statement and in the books of account of the person required to collect the tax, except where section 20.32 applies, in which case the person subject to the tax is required to indicate the tax separately from the amount of the premium on any document forwarded with his payment.

“**20.35** Where the insurance premium is not specified or where it is combined with another amount, the Minister may determine the premium which shall serve as the basis for the taxation provided for in this chapter.

“**20.36** Where an insurance premium is paid by way of a salary deduction, the tax need not be separately indicated on the statement of earnings and deductions.

Notwithstanding the foregoing, a person who agrees to this mode of payment shall be informed at the time he agrees to it of the amount of tax payable on his insurance premium.

“DIVISION VII

“TRANSITIONAL PROVISIONS

“**20.37** Where an insurance policy has undergone no alteration between 23 April and 16 June 1985, the tax does not apply to

(a) a premium paid between 23 April and 16 June 1985 for a policy that came into force before 24 April 1985;

(b) a premium invoiced before 24 April 1985 and paid between 23 April and 16 June 1985 for a policy becoming effective during the latter period.

For the purposes of the first paragraph, the premium is deemed to be paid at the time it is paid to the insurer if the insurance broker remits it to him before receiving the payment from his client.

The tax does not apply to an insurance premium paid between 23 April and 16 June 1985 for an uninsured social benefits plan created before 24 April 1985.

“**20.38** Notwithstanding section 20.27,

(a) the insurer shall collect on or before 17 July 1985 the tax on a personal life-insurance premium paid between 23 April and 18 July 1985;

(b) the person who receives payment of an insurance premium shall collect on or before 1 August 1985 the tax on the premium for an uninsured social benefits plan paid between 23 April and 2 August 1985.

#### “CHAPTER IV

#### “GENERAL PROVISIONS”.

(2) This section has effect from 24 April 1985.

**24.** (1) The said Act is amended by striking out the headings which precede sections 21, 23 and 28.

(2) This section has effect from 24 April 1985.

**25.** (1) Section 23 of the said Act, amended by section 13 of chapter 25 of the statutes of 1985, is again amended by replacing paragraph *a* of subsection 2 by the following paragraph:

“(a) contravenes section 3 or 4, the second paragraph of section 13, section 14.1, 20.21, 20.29, 20.31, 20.34 or 20.36, subsection 3 of section 21 or the regulations; or”.

(2) This section has effect from 24 April 1985.

**26.** (1) Section 29 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**29.** No retailer nor any person contemplated in section 20.29 shall institute or continue any proceedings in Québec for the recovery of a debt arising from the sale or delivery of property to a person who resides or carries on business therein, or from an insurance policy, unless he holds a registration certificate issued under this Act.”

(2) This section has effect from 24 April 1985.

**27.** Section 31 of the said Act is amended by adding the following paragraph:

“Notwithstanding the second paragraph, regulations made in the year 1986 under this Act in respect of insurance premiums contemplated in Chapter III may, once published and if they so provide, apply from 24 April 1985.”

**28.** (1) Section 8 of the Tobacco Tax Act (R.S.Q., chapter I-2) is replaced by the following section:

“**8.** Every person must, at the time of a retail sale of tobacco in Québec, for consumption by himself or by any other person at his expense, pay a tobacco consumer tax equal to 60 % of the retail price of that tobacco.”

(2) This section has effect from 24 April 1985.

**29.** (1) Sections 9.2 to 9.4 of the said Act are replaced by the following sections:

“**9.2** The retail price of cigarettes to be used in computing the tax provided for in section 8 is \$1.50 for 25 cigarettes.

“**9.3** The retail price of cigarettes mentioned in section 9.2 is used to compute the tax provided for in section 8, until it is replaced by the weighted average retail price determined by the Minister from time to time in accordance with section 9.4, for 25 cigarettes.

“**9.4** The Minister shall determine the weighted average retail price for 25 cigarettes by means of a representative statistical sampling of prices, excluding the tax provided for by this Act, in effect in tobacco retail outlets situated on the Island of Montréal.”

(2) This section has effect from 24 April 1985.

**30.** Section 18 of the said Act is replaced by the following section:

“**18.** In view of assisting the financing of the olympic installations, the Minister shall pay monthly into the special olympic fund established by the Act to establish a special olympic fund (1976, chapter 14), an amount equal, for each month, from the months of June 1985 to May 1986, to 16.681 % of the tax collected under this Act during the preceding month.

For the month of May 1985, the amount shall be equal to 24.545 % of the tax collected under this Act from 1 April to 23 April 1985, and to 16.681 % of the tax collected from 24 to 30 April 1985.

For each month from the month of June 1986, the amount shall be equal to 17.974 % of the tax collected under this Act during the preceding month.”

**31.** (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 17 of chapter 25 of the statutes of 1985, is again amended

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

““specified shareholder” has the meaning assigned by sections 21.17 and 21.18;”;

(2) by inserting, before the definition of the expression “international traffic” the following definition:

““international business centre” has the meaning assigned by section 737.13;”;

(3) by replacing the definition of the expression “Canadian-controlled private corporation” by the following definition:

““Canadian-controlled private corporation” has the meaning assigned by section 21.19;”;

(4) by inserting, before the definition of the word “brother”, the following definition:

““borrowed money” includes the proceeds to a taxpayer from the sale of a post-dated bill drawn by the taxpayer on a bank to which the Bank Act (Statutes of Canada) or the Québec Savings Banks Act (Statutes of Canada) applies;”;

(5) by replacing the definition of the expression “business of providing personal services” by the following definition and inserting it after the definition of “personal or living expenses”:

““personal services business” means a personal services business carried on by a corporation in a taxation year where an employee who provides services on behalf of the corporation, called an “incorporated employee” in this definition, in paragraph *d* of section 61 and in sections 135.2 and 487.2, or a person related to an incorporated employee is a specified shareholder of the corporation and where the incorporated employee may be reasonably classed, disregarding the corporation, as an employee of the person or partnership to whom or which he provided the services, unless

(a) the corporation employs in the business throughout the year more than five full-time employees; or

(b) the amount received or receivable by the corporation in the year for the services provided is paid or payable by a corporation associated, within the meaning of the regulations made pursuant to section 230.2, with the corporation during that year;”;

(6) by replacing the definition of the expression “registered charity” by the following definition:

““registered charity” at any time means a charitable organization, private foundation or public foundation, within the meaning assigned by section 985.1, that is at that time registered as a charitable organization, private foundation or public foundation, within the meaning of the said section 985.1, with the Minister or that is deemed to be so registered in accordance with sections 985.5 to 985.5.2;”.

(2) Paragraphs 1 and 5 of subsection 1 apply from the taxation year 1985.

(3) Paragraph 2 of subsection 1 applies from 1 January 1986.

(4) Paragraph 3 of subsection 1 applies from the taxation year 1986.

(5) Paragraph 4 of subsection 1 applies in respect of bills drawn after 31 December 1982 that are payable more than 366 days from the date of their certification and in respect of all bills drawn after 30 June 1984.

(6) Paragraph 6 of subsection 1 applies in respect of charities registered after 15 February 1984, or charities that began after that date to be deemed to be registered in accordance with subsection 2 of section 985.5 of the Taxation Act or that are designated pursuant to section 985.4.3 of the said Act.

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

**“2.2** For the purposes of paragraphs *a* and *b* of section 312, sections 313 to 313.0.5, subparagraphs *a* and *b* of paragraph 1 and of paragraph 2 of section 336, sections 336.1 to 336.4, section 454, the first paragraph of section 913 and section 971.1, the expressions “spouse” and “former spouse” include a spouse or former spouse who is a party to an annulled or annulable marriage.”

(2) This section applies to taxation years beginning after 31 December 1982.

**33.** (1) Section 6 of the said Act is amended by adding the following paragraph:

“The reference to a fiscal period of a partnership ending in a taxation year includes a reference to a fiscal period of the partnership the end of which coincides with the end of that taxation year.”

(2) This section applies to taxation years and fiscal periods ending after 31 December 1984.

**34.** (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* or *c* of section 695 of an individual described in paragraph *b*, *c* or *d*.”

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

**35.** (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,”.

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

**36.** (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,”.

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

**37.** (1) The said Act is amended by inserting, after section 21.16, the following:

## “CHAPTER VIII

### “SPECIFIED SHAREHOLDERS AND CANADIAN-CONTROLLED PRIVATE CORPORATIONS

“**21.17** A specified shareholder of a corporation in a taxation year is a taxpayer who owns, directly or indirectly, at any time in the year, not less than 10 % of the issued shares of any class of the capital stock of the corporation or of any other corporation that is related to the corporation.

“**21.18** For the purposes of section 21.17, the following rules apply:

(a) a taxpayer shall be deemed to own each share of the capital stock of a corporation owned at that time by a person with whom he does not deal at arm's length;

(b) each beneficiary of a trust shall be deemed to own that proportion of all the shares of the capital stock of a corporation that are owned by the trust at that time that the fair market value at that time of his beneficial interest in the trust is of the fair market value at that time of all beneficial interests in the trust;

(c) each member of a partnership shall be deemed to own that proportion of all the shares of the capital stock of a corporation that are property of the partnership at that time that the fair market value at that time of his interest in the partnership is of the fair market value at that time of the interests of all members in the partnership; and

(d) an individual who performs services on behalf of a corporation that would be carrying on a personal services business if the individual or any person related to the individual were at that time a specified shareholder of the corporation shall be deemed to be a specified shareholder of the corporation at that time if he, or any person or partnership with whom he does not deal at arm's length, is, or by virtue of any arrangement, may become, entitled, directly or indirectly, to not less than 10 % of the assets or the shares of any class of the capital stock of the corporation or any corporation related thereto.

**“21.19** The expression Canadian-controlled private corporation means a private corporation that is Canadian corporation other than a corporation controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada, by one or more public corporations other than a prescribed corporation or by any combination of such persons and corporations.”

(2) This section, where it enacts sections 21.17 and 21.18 of the Taxation Act, applies from the taxation year 1985 and, where it enacts section 21.19 of the said Act, applies from the taxation year 1986.

**38.** (1) Section 38 of the said Act is amended by inserting, after the first paragraph, the following paragraph:

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

(2) This section has effect from 24 April 1985.

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

**“41.1** Where an amount is determined under section 41 for the right of use of an automobile in computing the income of an employee for a taxation year and the employee notifies his employer in writing before the end of the year that the amount of the benefit related to the operation of the automobile for the period in the year during which it was made available to the employee or to the person related to him is to be determined under this section, the amount of such benefit shall, for the purposes of section 37, be deemed to be the amount, if any, by which one-half of the amount of the right of use determined for the automobile under section 41 in respect of the employee for the year, exceeds the aggregate of all amounts each of which is an amount related to the operation of the automobile, other than insurance or registration costs, paid in the year to the employer or the person related to the employer who made the automobile available by the employee or the person related to the employee.”

(2) This section applies from the taxation year 1984.

**40.** (1) Section 49 of the said Act is replaced by the following sections:

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

**“49.1** The rule provided in section 49 does not apply if

(a) the agreement contemplated in section 48 is made with a particular corporation that is not a corporation described in paragraph *a* of section 49.2 which has made an agreement described in that paragraph;

(b) the price for the exercise of the option to acquire a share is equal to or greater than the fair market value of the share at the time the option is granted; and

(c) the share is acquired by an employee who, immediately after the agreement was made, was dealing at arm's length with the particular corporation, with the corporation the share of the capital stock of which has been agreed to be sold by the particular corporation, and with the corporation of which he is an employee.

“**49.2** Moreover, the rule provided in section 49 does not apply if

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

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

(c) the employee does not dispose of the share otherwise than as a consequence of his death, within two years from the date he acquired it.

“**49.3** Where a taxpayer has acquired a share in circumstances such that, if he had not disposed of it within two years from the date he acquired it, the rule provided in section 49 would not have applied to the acquisition by reason of section 49.2, the reference in section 49 to “the taxation year in which he acquires the shares” shall be read as “the taxation year in which he disposes of the shares”.”

(2) This section applies in respect of agreements made after 23 April 1985.

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

“**60.** An individual may deduct a single amount in respect of all his offices and employments in the year, equal to the lesser of \$500, \$600 or \$750, respectively, for 1986, 1987 or after 1987, and 6 % of

(a) his income for the year from all offices and employments other than those provided for in section 493 or the office of director of a corporation, computed before any other deduction provided for in this chapter except any deduction allowed under section 79.0.1 or 79.1; and”.

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

**42.** (1) Section 61 of the said Act is amended by replacing paragraph *d* by the following paragraph:

“(d) if the individual is in the year an incorporated employee and a specified shareholder of a corporation which deducted an amount described in paragraph c of section 135.2 in computing its income for its taxation year ending in the year.”

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

**43.** (1) The said Act is amended by adding, after section 74, the following section:

“**74.1** An employee may carry over to a later year the amount of his contributions described in paragraph a of section 71 and paid after 1962 which exceeds the amounts, allowable under paragraphs a and c of section 71 and paragraph d of section 339.

In the case contemplated in the first paragraph, the amount is an allowable deduction pursuant to paragraph c of section 71.”

(2) This section has effect from 12 February 1985.

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

“**79.0.1** An individual who holds a certificate issued by a prescribed authority within the meaning of section 737.13 may deduct, in computing his income for a taxation year from an employment held by him with a corporation operating an international financial business, an amount that does not exceed the lesser of the aggregate of the eligible allowances received by him in the year from the corporation and 50 % of his eligible basic salary from that employment for the year.

“**79.0.2** For the purposes of this section and section 79.0.1,

(a) “allowance” means an amount paid as such to an individual by his employer except any amount that the individual is not required to include in computing his income under section 39 or 40;

(b) “eligible allowance” means an allowance paid to the individual in a taxation year by the corporation and attributable to a particular period included in the year or in the preceding year, no part of which is included in the period prescribed for the purposes of the first paragraph of section 737.16 in respect of the individual and throughout which the individual is working almost exclusively for the corporation and where his duties with the corporation are devoted almost exclusively to the activities of the corporation’s international financial business;

(c) “eligible basic salary” means that part, attributable to a particular period described in paragraph *b*, of the income of the individual from his employment with the corporation, computed regardless of any amount that the individual is not required to include in computing his income under section 39 or 40 or of any eligible allowance, and before any deduction under this chapter, except a deduction allowed pursuant to Division III.

“**79.0.3** Where an allowance must be included in computing the individual’s income from his employment, only that part of the allowance which exceeds the amounts deductible in respect of that allowance under Division III shall be considered, for the purposes of paragraph *a* of section 79.0.2, as being an amount paid as an allowance to the individual by his employer.”

(2) This section applies from 1 January 1986.

**45.** (1) Section 79.1 of the said Act is replaced by the following sections:

“**79.1** An individual who is resident in Québec in a taxation year, except an individual contemplated in section 79.1.1, and who has performed substantially all the duties of his employment in a country other than Canada throughout a period of not less than thirty consecutive days that commenced in the year or a preceding year may deduct, in computing his income for the year from that employment, the amounts provided for in section 79.2, if he is employed throughout that period by a specified employer and if such duties are in connection with a contract under which the specified employer carries on business in such country with respect to prospecting for or exploitation of petroleum, natural gas, minerals or other similar resources, or in respect of business connected with a farming, construction, installation or engineering activity or any prescribed activity, or for the purpose of obtaining such a contract for the specified employer.

“**79.1.1** Section 79.1 does not apply in respect of an individual who, throughout the period described in the said section, is deemed to be resident in Québec under paragraph *d* of section 8 or who performs his duties in the employ of the Government of Canada or the government of a province or of a municipality, a school board, an educational institution or an establishment providing health services or social services that receives or is entitled to receive financial assistance from a government.”

(2) This section applies in respect of an individual who left Canada after 23 April 1985 to carry on an employment in a foreign country

and in respect of an individual who left Canada before 24 April 1985 for the same reason and who, after 23 April 1985, made a new contract with his employer. In the latter case, however, it applies only in respect of a period commencing after the making of the new contract.

**46.** (1) Section 85.3 of the said Act is replaced by the following section:

“**85.3** Without restricting the generality of this chapter,

(a) property, other than capital property, of a taxpayer that is work in progress of a business that is a profession, advertising or packaging material, parts or supplies must be included in his inventory;

(b) anything used primarily for the purposes of advertising or packaging property that is included in the inventory of a taxpayer shall be deemed not to be property held for sale or lease or for any of the purposes referred to in section 85.2; and

(c) property of a taxpayer, the cost to him of which was deductible by virtue of paragraph *n* of section 157 must be included in his inventory having a cost to him, except for the purposes of that paragraph, of nil.”

(2) This section applies from the taxation year 1984.

**47.** (1) Section 92.12 of the said Act is replaced by the following section:

“**92.12** Where in a taxation year a taxpayer, other than a corporation or a partnership described in section 92.9, who holds an interest in a life insurance policy, other than an annuity contract, last acquired after 1 December 1982, or an annuity contract, other than a prescribed annuity contract, has, in the year or a preceding taxation year, elected in respect of that interest by notifying the issuer thereof in writing, he shall, in computing his income for the year, include the amount by which the accumulating fund at the end of the year, as determined in prescribed manner, in respect of that interest exceeds the aggregate of the adjusted cost base to him of the interest at the end of the year, and the amount, if any, at that time of unallocated income accrued in respect of the interest before 1 January 1982, as determined in prescribed manner.”

(2) This section applies to a taxation year beginning after 31 December 1982.

**48.** (1) Section 117 of the said Act is replaced by the following section:

**117.** If a corporation has made an automobile available to its shareholder in a year, or to a person related to him, the value of the benefit to be included in computing the income of the shareholder for the year under section 111 is, except when an amount has been included in computing his income under section 41 in respect of the automobile, computed on the assumption that Divisions I and II of Chapter II of Title II apply in respect of that benefit, with such modifications as the circumstances require, and as though the references therein to “the employer” or “an employer” were read as references to “the corporation”.”

(2) This section applies from the taxation year 1982.

**49.** (1) Section 135.6 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) interest paid or payable by a taxpayer in respect of borrowed money that can reasonably be considered, having regard to all the circumstances, to have been used to assist, directly or indirectly, another person or a partnership, with whom the taxpayer does not deal at arm’s length, or a corporation of which the taxpayer is a specified shareholder to construct, renovate or alter a building or to purchase land, except where the assistance is in the form of a loan to that other person, partnership or corporation and a reasonable rate of interest thereon is charged by the taxpayer.”

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

**50.** (1) Section 157 of the said Act, amended by section 32 of chapter 25 of the statutes of 1985, is again amended

(1) by repealing paragraphs *a* and *b*;

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

(3) by adding the following paragraph:

“(n) such portion, as may be claimed by the taxpayer, of an amount that is an outlay or expense made or incurred by him before the end of the year that is a cost to him of any substance injected before that time into a natural reservoir to assist in the recovery of petroleum, natural gas or related hydrocarbons to the extent that that portion was not otherwise deducted by him in computing his income for the year, deducted by him in computing his income for any preceding taxation year, and is not an outlay or expense described in sections 395 to 397 or 408 to 410 nor a Canadian oil and gas property expense.”

(2) Paragraph 1 of subsection 1 applies in respect of bills drawn after 30 June 1984.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 1984.

**51.** (1) Section 172 of the said Act is amended by replacing what precedes paragraph *a* by the following:

“**172.** Notwithstanding any other provision of this Act, for the purposes of this section, of sections 169 to 171 and 174 and of the regulations made under section 170,”.

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

**52.** (1) The said Act is amended by adding, after section 189, the following section:

“**189.1** Where in a taxation year a taxpayer has been appointed a judge by the Governor in Council or by the lieutenant governor in council of a province and the taxpayer so elects in his return of income under this Part for the year,

(*a*) his income from a professional practice for a fiscal period ending in that taxation year and commencing in the preceding taxation year shall be deemed to be that proportion of such income that the number of months in the taxation year during which he was not a judge is of the number of months in the fiscal period; and

(*b*) the amount by which his income for that taxation year from his professional practice, computed without reference to this section, exceeds the amount that is deemed to be his income for the fiscal period shall be deemed to be income of the taxpayer in the following taxation year.”

(2) This section applies in respect of appointments made in a taxation year subsequent to the taxation year 1983.

**53.** (1) The said Act is amended by inserting, after section 241, the following section:

“**241.0.1** A loss incurred by a taxpayer following the disposition, at a particular time, of a share of the capital stock of a corporation that was at any time a prescribed corporation or of a property substituted for such share shall be deemed to be the amount, if any, by which

(*a*) the loss otherwise determined, exceeds

(b) the amount, if any, by which the amount of any prescribed assistance in respect of the share received by the taxpayer or by a person with whom he was not dealing at arm's length exceeds any loss otherwise determined from the disposition of the share or of the property substituted for the share before the particular time by the taxpayer or the person."

(2) This section applies in respect of dispositions occurring after *(insert here the date of assent to this Act)*.

**54.** (1) Section 255 of the said Act, amended by section 45 of chapter 25 of the statutes of 1985, is again amended by inserting, after paragraph *h*, the following:

"OFFSHORE INVESTMENT FUND PROPERTY

"(h.1) where the property is an offshore investment fund property within the meaning of section 597.1,

i. any amount included in respect of the property by virtue of section 597.4 in computing the taxpayer's income for a taxation year commencing before that time; or

ii. where the taxpayer is a controlled foreign affiliate, within the meaning of section 572, of a person resident in Canada, the amount prescribed;"

(2) This section has effect from 1 January 1985.

**55.** (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 leased hold interest in that housing unit, ordinarily inhabited in the year by him, his spouse or former spouse or his child who, during the year, is a person described in paragraph *b* or *c* of section 695, or in respect of which he has made the election contemplated in sections 284 to 286 for the year, if, in every case,"

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

**56.** (1) Section 279 of the said Act is amended by replacing subparagraph i of paragraph *b* by the following subparagraph:

"i. the amount by which the proceeds of disposition of the former property exceed the aggregate of the adjusted cost base of the former

property to the taxpayer immediately before the disposition and any outlays made or expenses incurred for the purposes of making the disposition or, in the case of depreciable property, the lesser of such aggregate and the proceeds of disposition of the former property determined without reference to section 280.3, exceeds”.

(2) This section applies in respect of dispositions occurring after 15 February 1984.

**57.** (1) Section 280.3 of the said Act is replaced by the following section:

**“280.3** For the purposes of sections 278 and 279, where a taxpayer has disposed of a former business property that was in part a building and in part the land, or an interest therein, subjacent to or necessary for the use of the building, the amount by which the proceeds of disposition of one such part determined without regard to this section exceed the adjusted cost base to him of that part, shall to the extent that the taxpayer so elects in his fiscal return filed under this Part for the year in which he acquired a replacement property for the former business property, be deemed not to be proceeds of disposition of that part and to be proceeds of disposition of the other part.”

(2) This section applies in respect of dispositions occurring after 15 February 1984.

**58.** (1) Section 308.3 of the said Act, replaced by section 55 of chapter 25 of the statutes of 1985, is again replaced by the following section:

**“308.3** Section 308.1 does not apply if the dividend was received by a corporation in the course of a reorganization in which property of a particular corporation was transferred, directly or indirectly, to one or more beneficiary corporations, and if, in respect of each type of property transferred by the particular corporation, the fair market value of the property received by each beneficiary corporation was equal to or approximated the proportion of the fair market value of all property of that type owned by the particular corporation immediately before the transfer that the aggregate of the fair market value immediately before the transfer of all shares of the capital stock of the particular corporation owned by the beneficiary corporation at that time is of the fair market value immediately before the transfer of all the issued shares of the capital stock of the particular corporation at that time.”

(2) This section applies in respect of transfers of property occurring after 31 December 1984 by a particular corporation referred to in section

308.3 of the Taxation Act; however, where the particular corporation has so elected, at any time before 31 March 1985, under subsection 5 of section 15 of the Act to amend the Income Tax Act and related statutes (S.C., 1984, chapter 45), it applies in respect of transfers of property occurring after 31 December 1981.

**59.** (1) Sections 308.4 and 308.5 of the said Act are replaced by the following sections:

**“308.4** Section 308.3 does not apply in respect of a transfer where, in contemplation of and before the transfer, property has become property of the particular corporation, a corporation controlled by the particular corporation or a predecessor of any such corporation otherwise than as a result of

(a) an amalgamation of corporations each of which was related to the particular corporation;

(b) the winding-up of a corporation that was related to the particular corporation;

(c) a transaction to which section 308.1 and paragraph *a* of section 308.2 would apply, but for this section, paragraph *b* of section 308.2 and section 308.3;

(d) a disposition of property by the particular corporation or a corporation controlled by it to another corporation controlled by the particular corporation;

(e) a disposition of property by the particular corporation or a predecessor thereof for consideration that consists only of money or indebtedness that is not convertible into other property, or of any combination thereof; or

(f) a prescribed transaction.

**“308.5** For the purposes of this section, where it may reasonably be considered that the principal purpose of one or more transactions or events was to cause two or more persons to be related or to not deal with each other at arm’s length, or to cause one corporation to control another corporation, so as to make section 308.1 and paragraph *a* of section 308.2 inapplicable, those persons shall be deemed not to be related or shall be deemed to deal with each other at arm’s length, or the corporation shall be deemed not to control the other corporation, as the case may be.”

(2) This section, where it replaces section 308.4 of the Taxation Act, applies in respect of transfers of property made after 31 December 1984 by a particular corporation referred to in section 308.4 of the said Act; however, where the particular corporation so elects, at any time before 31 March 1985, under subsection 5 of section 15 of the Act to amend the Income Tax Act and related statutes (S.C., 1984, chapter 45), this section, where it replaces the said section 308.4, applies to transfers of property occurring after 31 December 1981.

(3) This section, where it replaces section 308.5 of the Taxation Act, has effect from 1 January 1982.

**60.** (1) Section 312 of the said Act is amended by replacing paragraph *c.2* by the following paragraph:

“(c.2) any amount received out of or under, or as proceeds of disposition of, an annuity where the payment made for the acquisition of the annuity was deductible in computing his income by virtue of paragraph *f* of section 339 or section 923.3;”.

(2) This section applies from the taxation year 1984.

**61.** (1) Section 313 of the said Act is replaced by the following sections:

“**313.** Where, after 6 May 1974, a decree, order, judgment or written agreement described in paragraph *a*, *b* or *b.1* of section 312, or any variation thereof, has been made providing for the periodic payment of an amount to a taxpayer by a person who is his spouse, former spouse or, where the amount was paid pursuant to an order made in accordance with the laws of a province, an individual within a prescribed class of persons described in the laws of the province, or for the benefit of the taxpayer or children in the custody of the taxpayer, the amount or any part thereof, when paid, shall be deemed, for the purposes of the said paragraphs *a*, *b* and *b.1*, to have been paid to and received by the taxpayer if, at the time the amount was paid and throughout the remainder of the year in which the amount was paid, the taxpayer was living apart from that person.

“**313.0.1** Where an amount to which neither paragraph *a*, *b* nor *b.1* of section 312 otherwise applies is paid in a taxation year by a person pursuant to a decree, order or judgment of a competent tribunal or pursuant to a written agreement in respect of an expense incurred in the year or the preceding taxation year for maintenance of a taxpayer who is that person’s spouse or former spouse or, where the amount is paid pursuant to an order made in accordance with the laws of a

province, an individual within the prescribed class of persons described in the laws of the province, for the maintenance of a child of the taxpayer in the taxpayer's custody, or both the taxpayer and the child, if at the time the expense was incurred and throughout the remainder of the year, the taxpayer was living apart from that person, and if the decree, order, judgment or written agreement provides that this section and section 336.1 apply to any payment made pursuant thereto, the amount by which the aggregate of the amounts paid exceeds the amount determined under section 313.0.3 shall be deemed, for the purposes of the said paragraphs *a*, *b* and *b.1*, to be an amount paid by that person and received by the taxpayer as an allowance payable on a periodic basis.

**“313.0.2** For the purposes of section 313.0.1, expense does not include any expenditure in respect of a self-contained domestic establishment of the person referred to in that section who makes the payment, or an expenditure for the acquisition of corporeal property that is not an expenditure on account of a medical or educational expense or in respect of the acquisition, improvement or maintenance of an owner-occupied home of a taxpayer described in the said section 313.0.1 who is that person's spouse or former spouse, or where the amount was paid pursuant to an order made in accordance with the laws of a province, an individual within a prescribed class of persons described in the laws of the province.

**“313.0.3** The amount referred to in section 313.0.1 is the amount by which

(*a*) the aggregate of all amounts each of which is an amount included in the aggregate of all amounts paid referred to in that section in respect of the acquisition or improvement of an owner-occupied home of the taxpayer referred to therein who is his spouse or former spouse or, where the amount is paid pursuant to an order made in accordance with the laws of a province, an individual within a prescribed class of persons described in the laws of the province, including any payment of principal or interest in respect of a loan made or indebtedness incurred to finance, in any manner whatever, such acquisition or improvement, exceeds

(*b*) the aggregate of all amounts each of which is an amount equal to 20 per cent of the original principal amount of an indebtedness described in paragraph *a*.

**“313.0.4** For the purposes of sections 313.0.1 to 313.0.3 and 336.1 to 336.3, the expression “owner-occupied home” of a taxpayer means a housing unit owned, whether jointly with another person or otherwise, by the taxpayer in a taxation year and inhabited by the taxpayer at any time in the year.

The expression “owner-occupied home” includes, in the case of a housing unit owned by a cooperative housing corporation, a share of the capital stock of the corporation owned, whether jointly with another person or otherwise, by the taxpayer in a taxation year, if the share was acquired by him for the sole purpose of acquiring the right to inhabit the housing unit and if he inhabits it at any time in that year.

In this section, the expression “housing unit” includes the land subjacent to the housing unit and such portion of any contiguous land as may reasonably be regarded as necessary for the taxpayer’s use and enjoyment of the housing unit as a residence.

**“313.05** For the purposes of this chapter, where a decree, order or judgment of a competent tribunal or a written agreement made at any time in a taxation year provides that an amount received before that time and in the year or the preceeding taxation year is to be considered to have been paid and received pursuant thereto,

(a) the amount shall be deemed to have been received pursuant to the decree, order or judgment or pursuant to the written agreement; and

(b) the beneficiary shall be deemed to have been separated pursuant to a divorce, judicial separation or written separation agreement from his spouse or former spouse at the time the payment was made and throughout the remainder of the year.”

(2) This section applies in respect of payments made after 31 December 1983.

**62.** (1) The said Act is amended by inserting, after section 313.1, the following sections:

**“313.2** A taxpayer who is deemed under the second paragraph to have supported a child in a taxation year in respect of whom an allowance under the Family Allowances Act, 1973 (Statutes of Canada) has been paid to him in the year shall also include the amount of the allowance.

For the purposes of the first paragraph, a taxpayer is deemed to have supported a child in a taxation year if he is

(a) an individual making a deduction for the year under sections 695 to 701 in respect of the child; or

(b) if paragraph *a* does not apply, an individual to whom an allowance described in the first paragraph has been paid in the year in respect of the child.

**“313.3** Notwithstanding section 313.2, where more than one individual has made a deduction for a taxation year under sections 695 to 701 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 695 to 701 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.”

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

**63.** (1) Section 332.1 of the said Act, replaced by section 58 of chapter 25 of the tes of 1985, is amended

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

“(a) 33<sup>1</sup>/<sub>3</sub>% of each amount that is described in section 332.1.1 and in respect of which the consideration given by him was a property, other than a property disposed of by the taxpayer to any person with whom he was not dealing at arm’s length, a share, a property that would have been a Canadian resource property if it had been acquired by the taxpayer at the time the consideration was given or a depreciable property of a prescribed class, or services the cost of which may reasonably be regarded as having been an expenditure which amount was added in computing the earned depletion base of the taxpayer, of a person with whom he was not dealing at arm’s length or of a predecessor corporation where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be;”;

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

“(f) 33<sup>1</sup>/<sub>3</sub>% of each amount that became receivable by him in the year but after 19 April 1983 and in respect of which the consideration given by him was a property other than a property disposed of by the taxpayer to any person with whom he was not dealing at arm’s length, a share, a depreciable property of a prescribed class, or a property that would have been a Canadian resource property if it had been acquired by the taxpayer at the time the consideration was given, or services the cost of which may reasonably be regarded as having been an expenditure which amount was added in computing the resource exploration base of the taxpayer, of a person with whom he was not dealing at arm’s length or of a specified predecessor of the taxpayer.”

(2) Paragraph 1 of subsection 1 applies from the taxation year 1984.

(3) Paragraph 2 of subsection 1 has effect from 20 April 1983.

**64.** (1) The said Act is amended by inserting, after section 332.1, the following section:

**“332.1.1** For the purposes of paragraph *a* of section 332.1, an amount contemplated therein in respect of a taxpayer for a taxation year is

(*a*) an amount that became receivable by the taxpayer in the year but after 31 December 1983 other than an amount that would have been a Canadian oil and gas exploration expense if it had been an expense incurred by him at the time it became receivable;

(*b*) an amount that became receivable by the taxpayer in the year but after 31 December 1983, that would have been a Canadian oil and gas exploration expense described in paragraph *b* or *b.1* of section 395 in respect of a qualified tertiary oil recovery project if it had been an expense incurred by him at the time it became receivable; or

(*c*) an amount equal to 30 % of an amount that became receivable by the taxpayer in the year but during the calendar year 1984 that would have been a Canadian oil and gas exploration expense, other than an expense described in paragraph *b* of section 395 in respect of a qualified tertiary oil recovery project, incurred in respect of non-conventional lands if it had been an expense incurred by him at the time it became receivable.”

(2) This section applies from the taxation year 1984.

**65.** (1) Section 333 of the said Act, amended by section 59 of chapter 25 of the statutes of 1985, is again amended by replacing the second paragraph by the following paragraph:

“Similarly, the expressions “exploration base”, “resource exploration base”, “supplementary depletion”, “earned depletion”, “Canadian oil and gas exploration expense”, “bituminous sands equipment”, “enhanced recovery equipment”, “qualified tertiary oil recovery project” and “non-conventional lands” have, for the purposes of this chapter, the meaning assigned to them by regulation.”

(2) This section has effect from 20 April 1983.

**66.** (1) Section 335 of the said Act, amended by section 60 of chapter 25 of the statutes of 1985, is again amended by replacing what precedes paragraph *b* by the following:

**“335.** Where an individual is deemed to have been resident in Québec during part of or the whole of a taxation year under sections 8, 9 and 10, sections 336 to 341 and 347 to 356.2 apply in his respect for the relevant time taking into account the following rules:

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

(2) This section applies in respect of movings occurring after 31 December 1983; however, where it replaces that part of section 335 of the Taxation Act which precedes paragraph *a*, it applies in respect of the taxation year 1986.

**67.** (1) Section 336 of the said Act, amended by section 61 of chapter 25 of the statutes of 1985, is again amended

(1) by striking out, at the end of subparagraph ii of paragraph *f* of subsection 1, the word “and”;

(2) by replacing the period at the end of subparagraph v of paragraph *g* of subsection 1 by the word “; and”;

(3) by inserting, after paragraph *g* of subsection 1, the following paragraph:

“(h) an overpayment of an allowance the amount of which has been included in computing the income of an individual for the year or for a previous taxation year under section 313.2 or 313.3 or an amount included in computing his taxable income earned in Canada for the year or for a previous taxation year under subparagraph iv of paragraph *b* of section 1092, up to the amount of the overpayment reimbursed in the year under the Family Allowances Act, 1973 (Statutes of Canada).”;

(4) by replacing subsection 2 by the following subsection:

“(2) Where, after 6 May 1974, a decree, order, judgment or written agreement contemplated in paragraph *a*, *a.1* or *b* of subsection 1, or any variation thereof, has been made providing for the periodic payment of an amount by a taxpayer to or for the benefit of a person who is his spouse, former spouse or, where the amount is paid pursuant to an order made in accordance with the laws of a province, an individual within a prescribed class of persons described in the laws of that province, or for the benefit of such a person or a child in the custody of such a person, such payment or any part thereof, when paid, is deemed, for the purposes of paragraphs *a*, *a.1* and *b* of subsection 1, to have been made to and received by that person if the taxpayer was

living apart from that person at the time the payment was made and throughout the remainder of the year in which the payment was made.”

(2) Paragraphs 1 to 3 of subsection 1 apply from the taxation year 1986.

(3) Paragraph 4 of subsection 1 applies in respect of payments made after 31 December 1983.

**68.** (1) The said Act is amended by inserting, after section 336, the following sections:

“**336.1** Where an amount to which paragraphs *a*, *a.1* and *b* of subsection 1 of section 336 do not otherwise apply is paid by a taxpayer in a taxation year pursuant to a decree, order or judgment of a competent tribunal or pursuant to a written agreement, in respect of an expense incurred in the year or in the preceding taxation year for the maintenance of a person who is the taxpayer’s spouse or former spouse or, where the amount is paid pursuant to an order made in accordance with the laws of a province, an individual within a prescribed class of persons described in the laws of that province, or a child of that person in that person’s custody, or both, where the taxpayer was living apart from that person at the time the expense was incurred and throughout the remainder of the year in which the expense was incurred and where the decree, order, judgment or written agreement provides that this section and section 313.0.1 apply to any payment made pursuant thereto, the amount by which the aggregate of such paid amounts exceeds the amount determined pursuant to section 336.3 is deemed, for the purposes of the said paragraphs *a*, *a.1* and *b*, to be an amount paid by the taxpayer and received by that person as an allowance payable on a periodic basis.

“**336.2** For the purposes of section 336.1, an expense does not include an expenditure in respect of a self-contained domestic establishment of the taxpayer contemplated in the said section who makes the payment or an expenditure for the acquisition of tangible property that is not an expenditure on account of a medical or educational expense or in respect of the acquisition, improvement or maintenance of an owner-occupied home of the person contemplated in the said section 336.1 who is the taxpayer’s spouse or former spouse or, where the amount is paid pursuant to an order made in accordance with the laws of a province, an individual within a prescribed class of persons described in the laws of that province.

“**336.3** The amount contemplated in section 336.1 is the amount by which

(a) the aggregate of all amounts each of which is an amount included in the aggregate of paid amounts contemplated in the said section in respect of the acquisition or improvement of an owner-occupied home of the person referred to therein who is the taxpayer's spouse or former spouse or, where the amount is paid pursuant to an order made in accordance with the laws of a province, an individual within a prescribed class described in the laws of that province, including any payment of principal or interest in respect of or indebtedness incurred to finance, in any manner whatever, such acquisition or improvement, exceeds

(b) the aggregate of all amounts each of which is an amount equal to 20 % of the original principal amount of indebtedness described in paragraph *a*.

**“336.4** For the purposes of this chapter, where a decree, order or judgment of a competent tribunal or a written agreement made at any time in a taxation year provides that an amount paid before that time and in the year or the preceding taxation year is to be considered as having been paid and received pursuant thereto,

(a) the amount is deemed to have been paid pursuant thereto; and

(b) the person who made the payment is deemed to have been separated pursuant to a divorce, judicial separation or written separation agreement from his spouse or former spouse to whom he was required to make the payment at the time the payment was made and throughout the remainder of the year.”

(2) This section applies in respect of payments made after 31 December 1983.

**69.** (1) Section 339 of the said Act is amended by replacing the part of paragraph *d* which precedes subparagraph *i* by the following:

“(d) such part of the aggregate of all amounts each of which is an amount included in computing his income for the year, under section 317, where the amount is an amount described in section 339.3, or under section 885, as is designated by the taxpayer in his fiscal return for the year under this Part and does not exceed the aggregate of all amounts, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year”.

(2) This section applies from the taxation year 1984; however, where the part of paragraph *d* which precedes subparagraph *i* of section 339 of the Taxation Act applies to the taxation year 1984, it shall be read as follows:

“(d) such part of the amount that is the greater of the aggregate of all amounts each of which is an amount received on or before 15 February 1984 that is included in computing his income for the year, under section 317 or 885, and of all amounts each of which is an amount received after that date that is included in computing his income for the year under section 317, where the amount is an amount described in section 393.3, or under section 885, and the lesser of the aggregate of all amounts each of which is an amount paid by him in the year and before 16 February 1984 as a premium under a registered retirement savings plan under which he is an annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *f*, and the aggregate of all amounts each of which is an amount included in computing his income for the year under section 317 or 885, as is designated by the taxpayer in his fiscal return for the year under this Part and does not exceed the aggregate of all amounts, to the extent that they were not deducted in computing his income for a previous year, paid by him in the year or within 60 days after the end of the year”.

**70.** (1) The said Act is amended by inserting, after section 339.2, the following section:

“**339.3** An amount contemplated in paragraph *d* of section 339 is

(a) an amount received under a registered pension plan;

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

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

(2) This section applies from the taxation year 1984.

**71.** (1) Section 347 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**347.** This chapter applies to the moving expenses of an individual who commences to carry on business or to be employed at a location in Canada and incurs after 1971 moving expenses.”

(2) This section applies in respect of movings occurring after 31 December 1983.

**72.** (1) Section 348 of the said Act is amended by replacing subsection 1 by the following subsection:

**“348.** (1) An individual contemplated in section 347 who moves, in Canada, from a residence at which he ordinarily lives may deduct amounts paid by him as moving expenses in computing his income for the taxation year during which he moves or for the next year.”

(2) This section applies in respect of movings occurring after 31 December 1983.

**73.** (1) Section 351 of the said Act, replaced by section 64 of chapter 25 of the statutes of 1985, 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 695 to 701 if, in any case, at any time during the year, the child is under 12 years of age or 12 years of age or over and dependent on the individual by reason of mental or physical infirmity;”;

(2) 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 for the year under sections 695 to 701;”;

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

“iii. an individual who deducts an amount for the year under sections 695 to 701 in respect of the child;”.

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

**74.** (1) Section 352 of the said Act, replaced by section 64 of chapter 25 of the statutes of 1985, is again replaced by the following section:

**“352.** For the purposes of paragraph *b* of section 351, child care expenses shall not include expenses incurred in the year for lodging at a boarding school or camp which exceed the total amount of \$70 per week for each child who is six years of age or under on 31 December of that year or would have been had he then been living

and \$35 per week for any other child, or the medical expenses contemplated in sections 717 to 721 or other expenses for medical or hospital care, clothing, transport or education or for board or lodging other than those provided in the said paragraph *b*.”

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

**75.** (1) Section 353 of the said Act, replaced by section 64 of chapter 25 of the statutes of 1985, is amended by replacing subparagraph *a* of the third paragraph by the following subparagraph:

“(a) the amount is not included in computing the amount that would, but for section 356.2, be deductible under this section by another individual; and”.

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

**76.** (1) Section 354 of the said Act, replaced by section 64 of chapter 25 of the statutes of 1985, is amended by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) the lesser of

i. the aggregate of \$3 510 for the taxation year 1986, \$3 640 for the taxation year 1987 or \$3 770 from the taxation year 1988 per eligible child of the individual for the year who is under six years of age on 31 December of that year or would have been had he then been living and in respect of whom the expenses were incurred, and of \$1 755 for the taxation year 1986, \$1 820 for the taxation year 1987 or \$1 885 from the taxation year 1988 for any other eligible child of the individual for the year in respect of whom the expenses were incurred; and

ii. 40 %, 80 % or 100 % of the individual’s earned income for the year, according as the expenses were incurred in respect of one, two or more than two eligible children of the individual; exceeds

“(b) the aggregate of all amounts which have been deducted for the year under section 353 by another individual in respect of whom section 355 applies for the year, respecting the individual’s eligible children who are contemplated in paragraph *a*, or which that other individual has elected not to deduct for the year in accordance with section 356.2.”

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

**77.** (1) Section 355 of the said Act, replaced by section 64 of chapter 25 of the statutes of 1985, is amended by replacing what precedes subparagraph *i* of paragraph *b* by the following:

**“355.** Where the earned income for a taxation year of an individual who has an eligible child for the year exceeds the earned income for that year of a supporting person of that child, the amount that may be deducted by the individual under section 353 for the year as child care expenses shall not exceed the lesser of

(a) the amount that would, but for this section and section 356.2, be deductible by him for the year under section 353; and

(b) an amount equal to the aggregate of \$70 per week for each eligible child of the individual for the year who is under six years of age on 31 December of that year or would have been had he then been living and in respect of whom such child care expenses are incurred, and of \$35 per week for any other eligible child of the individual for the year in respect of whom such child care expenses are incurred, for each week in the year during which child care expenses were incurred and throughout which the supporting person of a child of the individual was”.

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

**78.** (1) Section 356 of the said Act, replaced by section 64 of chapter 25 of the statutes of 1985, is again replaced by the following section:

**“356.** For the purposes of this chapter, where an individual who has an eligible child for a taxation year has an earned income for the year equal to the earned income of a supporting person of the child for that year, the individual and the person cannot deduct any amount under this chapter for the year in respect of the child unless they jointly elect to treat the earned income of one of them as exceeding the earned income of the other for the year.”

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

**79.** (1) The said Act is amended by inserting, after section 356.1, the following section:

**“356.2** An individual who has an eligible child for the year or the supporting person of the child for that year may deduct, in computing his income for the year, as child care expenses, in addition to the amount deductible by him for the year under section 353, any part described in the second paragraph of the amount that would be deductible for the year by the supporting person of the child or by the individual, as the case may be, under the said section 353.

The part contemplated in the first paragraph is that which the supporting person or the individual, as the case may be, mentioned last in the said paragraph, elects not to deduct in a return in prescribed form attached to the fiscal return filed for the year under section 1000 by the individual or the supporting person, as the case may be, mentioned first in the said paragraph.

The supporting person or the individual, as the case may be, mentioned last in the first paragraph shall not deduct, in computing his income for the year under section 353, that part of the amount which he elects not to deduct for the year under this section.”

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

**30.** (1) Section 395 of the said Act is amended

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

“(b) any expense incurred before 1 January 1986, in drilling or completing an oil or gas well in Canada, or in building a temporary access road to, or preparing a site in respect of, any such well, incurred by him in the year or in any previous year, and included by him in computing his Canadian development expenses for a previous taxation year, if the drilling of the well is completed within six months after the end of the year and”;

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

“(b.1) any expense incurred after 31 December 1985, in drilling or completing an oil or gas well in Canada, or in building a temporary access road to, or preparing a site in respect of, any such well, incurred by him in the year or in any previous year, and included by him in computing his Canadian development expenses for a previous taxation year, if the drilling of the well is completed within six months after the end of the year and the well is abandoned within six months after the end of the year and within twelve months after the drilling of the well is completed;”;

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

“(b.2) any expense incurred after 31 December 1985, in drilling or completing an oil or gas well in Canada, or in building a temporary access road to, or preparing a site in respect of, any such well,”.

(2) This section applies in respect of outlays made or expenses incurred after 31 December 1983.

**81.** (1) Section 444 of the said Act is replaced by the following section:

**“444.** Notwithstanding sections 436 and 438, where property contemplated therein is, immediately before the death of an individual, a share of the capital stock of a family farm corporation of the individual or an interest in a family farm partnership of the individual or is land or depreciable property of a prescribed class situated in Canada and used, immediately before the death, by the individual, his spouse or one of his children, in the business of farming, where the property is transferred or assigned by reason of the death to a child of the individual who was resident in Canada immediately before the death, without taking account of the place where the individual was residing immediately before his death, and where it can be established within a period considered reasonable by the Minister that the property has been indefeasibly vested, within fifteen months after the death of the individual, in the child,

(a) the individual is deemed to have disposed of such property immediately before his death and the child is deemed to have acquired it for proceeds or at a cost, as the case may be, equal to

i. in the case of depreciable property of a prescribed class, that part of the undepreciated capital cost of all depreciable property of such class to the individual immediately before his death, represented by the proportion that the fair market value of such property, at that time, is of all the depreciable property of the same class, at the same time; and

ii. in any other case, the adjusted cost base of such property to the individual immediately before his death; and

(b) for the purposes of sections 93 to 104, 130 and 130.1 and of the regulations made under paragraph *a* of section 130 or under section 130.1, where depreciable property of a prescribed class is deemed to be acquired by the child under subparagraph *a* as a consequence of the death of the individual and the capital cost to the individual of that property exceeds the capital cost to the child determined under subparagraph *a*,

i. the capital cost to the child of the property is deemed to be the capital cost of the property to the individual, immediately before his death; and

ii. the excess is deemed to have been allowed to the child as depreciation for the taxation years before that acquisition.

Notwithstanding the foregoing, where the legal representative of the individual contemplated in the first paragraph has so elected in the individual's return of income under this Part for the year in which the taxpayer died, the following rules apply:

(a) the first paragraph applies as if subparagraph *a* thereof did not exist and as if the references to the said subparagraph *a* made in subparagraph *b* of the said paragraph were references to subparagraph *b* of this paragraph; and

(b) the individual is deemed to have disposed, immediately before his death, of the property contemplated in the first paragraph and the child is deemed to have acquired it for proceeds or at a cost, as the case may be, equal to the amount the legal representative of the individual has elected in respect of the property in accordance with section 450.5."

(2) This section, where it replaces the first paragraph of section 444 of the Taxation Act, has effect from 1 January 1981 and, where it enacts the second paragraph of the said section 444, applies in respect of transfers or assignments of property occurring after 31 December 1983.

**82.** (1) Section 450 of the said Act is amended

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

**"450.** Where property of an individual has been transferred or assigned to a trust referred to in sections 440 and 443 or 454 and the property was, immediately before that transfer or assignment, a share of the capital stock of a family farm corporation of the individual, an interest in a family farm partnership of the individual, land situated in Canada or depreciable property of a prescribed class situated in Canada and that property was, immediately before the death of the individual's spouse who was a beneficiary under the trust, either, in the case of such a share, a share of the capital stock of a Canadian corporation, that would be a share in the capital stock of a family farm corporation if subparagraphs i and ii of paragraph *a* of section 451 were read without the words "and in which that person, his spouse or his child was actively engaged", or, in the case of such an interest, an interest in a partnership, that carried on the business of farming in Canada in which it used all or substantially all of its property in carrying on that business, or, in the case of land or depreciable property, property used in carrying on a farming business, the following rules apply if that property, on the death of the spouse and as a consequence thereof, is transferred or assigned and indefeasibly vested in a child of the individual who was resident in Canada immediately before the death";

(2) by adding the following paragraph:

“Notwithstanding the foregoing, if the trust contemplated in the first paragraph has so elected in its fiscal return under this Part for its taxation year in which the spouse died, the first paragraph applies as if subparagraph *b* thereof did not exist and if the references to the said subparagraph *b* made in subparagraph *c* of the said paragraph were references to this paragraph and, in that case, the trust is deemed to have disposed, immediately before the death of the spouse, of the property contemplated in the first paragraph and the child is deemed to have acquired it for proceeds or at a cost, as the case may be, equal to the amount the trust has elected in respect of the property in accordance with section 450.5.”

(2) Paragraph 1 of subsection 1 applies in respect of transfers made after 25 May 1978.

(3) Paragraph 2 of subsection 1 applies in respect of transfers or assignments of property occurring after 31 December 1983.

**83.** (1) The said Act is amended by inserting, after section 450.4, the following sections:

“**450.5** For the purposes of sections 444 and 450, the amount elected in respect of any property by the legal representative of the individual contemplated in section 444 or by the trust contemplated in section 450, as the case may be, shall not be greater than the greater of or less than the lesser of the following amounts:

(a) the fair market value of the property immediately before the death of the individual or that of the spouse contemplated in the said section 450, as the case may be; and

(b) in the case of depreciable property of a prescribed class, that part of the undepreciated capital cost of all depreciable property of such class to the individual immediately before his death or to the trust immediately before the death of the spouse, as the case may be, represented by the proportion that the fair market value of such property, at that time, is of all the property of the same class, at the same time or in any other case, the adjusted cost base of such property to the individual immediately before his death or to the trust immediately before the death of the spouse, as the case may be.

If the amount elected in respect of any property is less than the lesser of the amounts determined in respect thereof under subparagraphs *a* and *b* of the first paragraph, it is deemed, for the purposes of sections 444 and 450, to be equal to the lesser of those amounts, and if it is

greater than the greater of those amounts, it is deemed, for the purposes of the said sections, to be equal to the greater of those amounts.

**“450.6** Where any property has been acquired by an individual in circumstances where any of sections 444, 450 or 459 applies, where as a consequence of the death of the individual after 31 December 1983 the property has been transferred or assigned to the father or mother of the individual, and where the individual’s legal representative has so elected in the individual’s return of income under this Part for the year in which he died, section 444 applies in respect of the transfer or assignment as if the expressions “to a child” and “the child” were replaced by the expressions “to the father or mother” and “the father or mother”.

**“450.7** Notwithstanding section 436, where capital property of an individual that was, immediately before his death, a share of the capital stock of a small business corporation was acquired by the individual in circumstances where any of sections 444.1, 450.1 or 463.1 applied, where as a consequence of the death of the individual after 31 December 1983, it has been transferred or assigned to the father or mother of the taxpayer who was resident in Canada immediately before the death of the taxpayer, without taking account of the place where the individual was residing before his death, where it can be established within a period considered reasonable by the Minister that the property has been indefeasibly vested, within fifteen months after the death of the individual, in the father or mother of the individual and where the individual’s legal representative has so elected in the individual’s fiscal return under this Part for the year in which he died, the individual is deemed to have disposed of the capital property immediately before his death and his father or mother, as the case may be, is deemed to have acquired it for proceeds or at a cost, as the case may be, equal to the amount the legal representative has elected in respect of the capital property in accordance with section 450.8.

**“450.8** For the purposes of section 450.7, the amount elected in respect of any capital property by the legal representative of the individual contemplated in the said section shall not be greater than the greater of or less than the lesser of the following amounts:

(a) the fair market value of the capital property immediately before the death of the individual; and

(b) the adjusted cost base of such capital property to the individual immediately before his death.

If the amount elected in respect of any capital property is less than the lesser of the amounts determined in respect thereof under subparagraphs *a* and *b* of the first paragraph, it is deemed, for the purposes of section 450.7, to be equal to the lesser of those amounts, and if it is greater than the greater of those amounts, it is deemed, for the purposes of the said section, to be equal to the greater of those amounts.

**“450.9** For the purposes of sections 444 and 459 where at any time any property of an individual that is land, depreciable property of a prescribed class or intangible capital property, was used by a corporation a share of the capital stock of which is a share of the capital stock of a family farm corporation of the individual, his spouse or any of his children, or by a partnership an interest in which is an interest in a family farm partnership of the individual, his spouse or any of his children in the course of carrying on the business of farming in Canada, the property is deemed to have been used at that time by the individual in the business of farming.”

(2) This section applies in respect of transfers or assignments of property occurring after 31 December 1983.

**34.** (1) Section 451 of the said Act, amended by section 91 of chapter 25 of the statutes of 1985, is again amended

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

“(b) “cumulative small business gains account” of an individual at a particular time means the amount by which \$200 000 exceeds the aggregate of amounts that would, but for section 444.1 or 463.1, have been capital gains of the individual from the disposition, before that time, of a share of the capital stock of a small business corporation, other than a disposition of such a share to his child that was reacquired before that time by the individual as a consequence of the child’s death;”;

(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 21 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;”.

(2) This section applies in respect of transfers and assignments of property occurring after 31 December 1983.

**85.** (1) Section 487.2 of the said Act is amended by replacing subparagraphs *b* and *c* of the first paragraph by the following subparagraphs:

“(b) by a person or partnership to which or for which the corporation provided or was to provide services; or

“(c) by a person who was not a debtor of the debt and who was related to the person or partnership contemplated in subparagraph *a* or was not dealing at arm’s length with the person or partnership contemplated in subparagraph *b*.”

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

**86.** (1) Section 518 of the said Act is amended by replacing the second paragraph by the following paragraph:

“However, such election shall not be made in respect of real property included in an inventory, or in respect of capital property of a person not resident in Canada which is immovable property, an interest in immovable property or an option in respect thereof.”

(2) This section applies in respect of dispositions of property made after 15 February 1984.

**87.** (1) Sections 519 and 520 of the said Act are replaced by the following sections:

“**519.** Notwithstanding section 518, an election which was not made within the time prescribed therein is deemed to be made within such time if it is made three years following the expiry of such time in the prescribed form and is accompanied with the payment by the taxpayer of a penalty, estimated by him in accordance with section 519.2.

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

Moreover, where the first paragraph allows the amendment of an election made previously, that election is deemed not to have been effective.

**“519.2** For the purposes of sections 519 and 519.1, the penalty that a taxpayer is required to pay in respect of an election or amended election, as the case may be, is equal to the lesser of

(a) 0.25 % of the amount by which, at the time of the disposition, the fair market value of the property in respect of which the election or amended election is made exceeds the amounts agreed upon in the election or amended election, for each month or part thereof included in the period commencing on the day on which the time provided in the first paragraph of section 518 expires and ending on the day the election or amended election was actually made; and

(b) the lesser of \$5 000 and the product obtained by multiplying \$100 by the number of months or parts thereof included in the period contemplated in paragraph a.

**“520.** The Minister shall examine with despatch every election or amended election which is forwarded to him under section 519 or 519.1, assess the penalty payable and send a notice of assessment to the taxpayer, who shall pay forthwith to the Minister the unpaid balance of the penalty.”

(2) This section has effect from 16 February 1984.

**38.** (1) The said Act is amended by replacing the heading of Title X of Book III of Part I by the following:

“TITLE X

“SHAREHOLDERS OF CORPORATIONS AND  
BENEFICIARIES OF TRUSTS NOT RESIDENT IN  
CANADA AND HOLDERS OF OFFSHORE  
INVESTMENT FUND PROPERTY”.

(2) This section has effect from 1 January 1985.

**39.** (1) Section 589 of the said Act is amended

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

**“589.** Where a corporation resident in Canada or a foreign affiliate of the corporation has disposed of a share of the capital stock of a foreign affiliate of the corporation, the corporation may, for the purposes of this Part, elect in prescribed manner and form that the amount designated in its election, not exceeding the proceeds of disposition of the share, be deemed to be a dividend on that share received from the foreign affiliate immediately before the disposition by the corporation

or, as the case may be, by the affiliate which disposed of it, and not to be proceeds of disposition of that share.”;

(2) by adding the following paragraph:

“Moreover, a corporation may amend an election or a new election previously made by it under the first paragraph or this paragraph in respect of a disposition, if it makes a new election, in prescribed manner and form, similar to that provided for in the first paragraph in respect of the disposition and, in that case, the election or new election made previously in respect of the disposition is deemed not to have been effective.”

(2) This section has effect from 16 February 1984.

**90.** (1) The said Act is amended by inserting, after section 597, the following:

## “CHAPTER VI.1

### “OFFSHORE INVESTMENT FUNDS

“**597.1** In this chapter, the expression

(a) “offshore investment fund property” of a taxpayer means a share of the capital stock of, an interest in, or a debt of, a particular foreign entity other than a controlled foreign affiliate of the taxpayer or a prescribed foreign entity or an interest in or a right or option to acquire such a share, interest or debt that may reasonably be considered to derive its value, directly or indirectly, primarily from portfolio investments of that or any other foreign entity in one or more of the assets listed in section 597.2;

(b) “designated cost” to a taxpayer at any time in a taxation year of an offshore investment fund property that he holds or has an interest in means the amount determined in respect thereof at that time under section 597.3;

(c) “foreign entity” means a corporation that is not resident in Canada, a partnership, organization, fund or entity that is not resident or is not situated in Canada or a trust contemplated in section 596.

“**597.2** For the purposes of paragraph *a* of section 597.1, the assets referred to therein are the following:

(a) shares of the capital stock of a corporation;

(b) indebtedness or annuities;

(c) interests in a fund, organization, corporation, entity, trust or partnership;

(d) commodities;

(e) immovable property;

(f) Canadian or foreign resource properties;

(g) currency of a country other than Canada;

(h) rights or options to acquire or dispose of any of the assets listed in paragraphs *a* to *g*.

**“597.3** The amount contemplated in paragraph *b* of section 597.1 at any time in a taxation year in respect of an offshore investment fund property that the taxpayer holds or has an interest in is the aggregate of

(a) the cost amount to the taxpayer of the property at that time determined without reference to paragraph *h.1* of section 255;

(b) where an additional amount has been made available by a person to another person after the calendar year 1984 and before that time, whether by way of gift, loan, payment for a share, transfer of property at less than its fair market value or otherwise, in circumstances such that it may reasonably be concluded that one of the main reasons for so making the additional amount available to the other person was to increase the value of the offshore investment fund property, the aggregate of all amounts each of which is the amount by which such an additional amount exceeds any increase in the cost amount to the taxpayer of the offshore investment fund property by virtue of that additional amount;

(c) the aggregate of all amounts each of which is an amount included in respect of the offshore investment fund property by virtue of this chapter in computing the taxpayer’s income for a preceding taxation year;

(d) where the taxpayer held or had the interest in the property at the end of the calendar year 1984, the amount by which the fair market value of the property at that time exceeds the cost amount to the taxpayer of the property at that time.

Notwithstanding the foregoing, where the property is a prescribed offshore investment fund property, the amount determined under the first paragraph in respect thereof is deemed nil.

**“597.4** Where in a taxation year a taxpayer, other than a non-resident-owned investment corporation, holds or has an interest in an offshore investment fund property and it may reasonably be concluded, taking all the circumstances into account that one of the main reasons for the taxpayers acquiring, holding or having the interest in such property was to derive a benefit from portfolio investments in assets listed in paragraphs *a* to *h* of section 597.2 in such manner that the taxes on the income, profits and gains from such assets for any particular year are significantly less than the tax that would have been applicable under this Part if such income, profits and gains had been earned directly by the taxpayer, there shall be included in computing the taxpayer’s income for the year the amount determined under section 597.6 for that year in respect of that property.

**“597.5** For the purposes of section 597.4, the circumstances that must be taken into account include

(*a*) the nature, organization and operation of any foreign entity and the form of, and the terms and conditions governing, the taxpayer’s interest in, or connection with, any such entity;

(*b*) the extent to which any income, profits and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of any foreign entity are subject to an income or profits tax that is significantly less than the income tax that would be applicable to such income, profits and gains if they were earned directly by the taxpayer;

(*c*) the extent to which the income, profits and gains of any foreign entity for any fiscal period are distributed in that or the following fiscal period.

**“597.6** The amount that shall be included in computing a taxpayer’s income for a taxation year under section 597.4 in respect of an offshore investment fund property is the amount by which

(*a*) the aggregate of all amounts each of which is the product obtained when the designated cost to the taxpayer of the offshore investment fund property at the end of a particular month in the year is multiplied by the quotient obtained when the rate of interest fixed in accordance with section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) for the period including that month is divided by twelve exceeds

(*b*) the taxpayer’s income for the year from the offshore investment fund property determined without reference to this section or to section 597.4.

For the purposes of subparagraph *b* of the first paragraph, the taxpayer's income does not include a capital gain."

(2) In the case of an interest in an offshore investment fund property held by the taxpayer on 15 February 1984 or a property substituted therefor pursuant to an arrangement that existed on that date, this section has effect from 1 January 1986 and in that case, the reference to the "calendar year 1984" in subparagraphs *b* and *d* of the first paragraph of section 597.3 of the Taxation Act shall be read as a reference to the "calendar year 1985", and in any other case, this section has effect from 1 January 1985.

**91.** (1) Section 605 of the said Act is replaced by the following section:

**605.** Sections 519 to 520 apply *mutatis mutandis* to an election referred to in section 604 that was not made within the time limit provided in such last section if the date of expiry of such time limit is after 6 May 1974, and to an election aimed at changing an election made under section 614.

However, in the case of an election made under section 620, the penalty shall be equal to the lesser of

(a) 0.25 %, for each month or part thereof referred to in section 519.2, of the amount by which the aggregate of the amounts of money and the fair market value of partnership property received by the persons mentioned in section 620 as consideration for the disposition of their interests in the partnership at the time the partnership is dissolved, exceeds the aggregate of the proceeds of disposition determined in respect of each of such persons by virtue of section 621, and

(b) \$5 000 or the product obtained by multiplying \$100 by the number of months or parts of a month referred to in section 519.2."

(2) This section has effect from 16 February 1984.

**92.** (1) Section 648 of the said Act is replaced by the following section:

**648.** The deductions contemplated in sections 695 to 701 do not apply to a trust."

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

**93.** (1) Section 657 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) that part of the amount that would, but for this paragraph, paragraph *b*, and, where the trust is a trust described in subparagraph *a* of the first paragraph and in the second paragraph of section 653, sections 653 to 656.1 and section 691, be its income for that year, to the extent that such part is payable in the year to a beneficiary resident in Canada at that time, or even outside Canada, if, in such last mentioned case, the trust is resident at that time in Canada, or to the extent that it was included in computing the income of such beneficiary under section 662;”.

(2) This section applies in respect of dispositions occurring after 12 November 1981, except any disposition made by a trust created before 13 November 1981 to a person referred to in paragraphs *a* or *c* to *i* of section 710 of the Taxation Act.

**94.** (1) The said Act is amended by inserting, after section 669.2, the following sections:

“**669.3** For the purposes of sections 646 to 648, 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.

The first paragraph does not apply unless the proportions referred to therein are reasonable having regard to the shares of the income of the trust for the year determined without reference to the provisions of this Act which are included in computing the income of the particular beneficiaries for the year.

“**669.4** For the purposes of the first paragraph of section 669.3, the amount that may be designated by a trust under the said section in respect of a taxation year shall not exceed the proportion, represented by the ratio determined for the year under the second paragraph, of the amount by which

(a) the aggregate of all amounts which, but for section 144 or 144.1, would be deductible in computing the income of the trust for the year or which must be included in computing its income for the year under section 89 or 425, exceeds

(b) the aggregate of all amounts deductible in computing the income of the trust for the year under section 145 or which, but for section 486 or paragraph *g* or *h* of section 489, would be included in computing its income for the year.

The ratio referred to in the first paragraph for a taxation year is the ratio between

(a) the aggregate of all amounts each of which is a part of the income of the trust for the year, determined without reference to the provisions of this Act, that is payable in the year to a beneficiary of the trust or that is included in computing the income of such a beneficiary for the year under section 662; and

(b) the income of the trust for the year, determined without reference to the provisions of this Act.”

(2) This section applies from the taxation year 1982; however, as regards the designation of an amount by a trust in respect of the taxation year 1982 or 1983 under section 669.3 of the Taxation Act, the following rules apply:

(a) the trust shall not deduct any amount in computing its income pursuant to paragraph *a* of section 657 of the said Act to the extent that such amount exceeds the aggregate of all proportions designated in respect of beneficiaries who have concurred in writing to the designation, and a beneficiary who has not so concurred shall not be required to include any amount in computing his income under section 663 of the said Act as a result of the designation; and

(b) the designation may be made in the trust’s fiscal return under Part I of the said Act for its taxation year 1984.

**95.** Section 690 of the said Act is amended by replacing that part which precedes paragraph *a* by the following:

“**690.** In this title, the cost amount, for a taxpayer, of the capital interest or part of the capital interest in a trust other than a trust that is a foreign affiliate of the taxpayer is, at a particular time:”

**96.** (1) Section 693 of the said Act, amended by section 113 of chapter 25 of the statutes of 1985, 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 737.8 and 737.17, Titles II, III, IV, V, VI, VI.1, VI.2, VI.3 and VII and sections 737.14 to 737.16 and 737.4 to 737.6.”

(2) This section has effect from 28 August 1985; however, where the second paragraph of section 693 of the Taxation Act refers to Title VI.2 of Book IV of Part I of the said Act, it has effect from

7 September 1985 and where the said paragraph refers to sections 737.14 to 737.17 of the said Act, it has effect from 1 January 1986.

**97.** (1) Section 694.1 of the said Act is replaced by the following section:

**“694.1** 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 1988 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 \$820, \$1 470, \$1 505, \$2 010, \$5 020 and \$5 280 mentioned in section 695;

(b) the amount of \$5 280 mentioned in section 726.”

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

**98.** (1) Section 694.2 of the said Act is repealed.

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

**99.** (1) Section 694.3 of the said Act is replaced by the following section:

**“694.3** Where an amount referred to in paragraphs *a* and *b* of section 694.1 is not a multiple of ten dollars when indexed in accordance with that section, it must be rounded to the nearest multiple of ten dollars or, if it is a multiple of five dollars, to the nearest higher multiple of ten dollars.”

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

**100.** (1) Sections 695 to 701 of the said Act are replaced by the following sections:

**“695.** An individual may deduct an amount of \$5 280, plus

(a) \$4 560 for the taxation year 1986, \$4 880 for the taxation year 1987 and \$5 280 from the taxation year 1988, if he supports his spouse for that year;

(b) \$4 560 for the taxation year 1986, \$4 830 for the taxation year 1987 and \$5 020 from the taxation year 1988, for each person contemplated in subparagraph *i* of paragraph *c* who, during the year,

is 21 years of age or over and dependent on the individual by reason of mental or physical infirmity, and who ordinarily lives with the individual;

(c) \$1 870 for the taxation year 1986, \$1 930 for the taxation year 1987 and \$2 010 from the taxation year 1988 for a person

i. who is the child, grandchild, mother, father, grandmother, grandfather, sister or brother of the individual or the niece, nephew, aunt or uncle of the individual or of his spouse,

ii. who, during the year, is under 21 years of age or 21 years of age or over and who 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 *b*;

(d) the amount contemplated in section 695.2 for a person described in paragraph *c*, if the individual ordinarily lives, throughout the year, in a self-contained domestic establishment in which such a person usually lives during the year and in which no person other than the individual or a person described in paragraph *c* lives during the year and if the individual meets the prescribed requirements;

(e) \$1 370 for the taxation year 1986, \$1 420 for the taxation year 1987 and \$1 470 from the taxation year 1988 for each person described in paragraph *c* in respect of whom the individual does not make any deduction under the said paragraph *c*;

(f) for each person described in paragraph *c*, an amount equal to \$1 345 for the taxation year 1986, \$1 450 for the taxation year 1987 and \$1 505 from the taxation year 1988 in respect of each completed quarter, 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;

(g) \$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*, *b* or *d* of section 695 or under section 695.1; and

(h) \$2 200, if he has reached the age of 65 years before the end of the year, less the aggregate for the year of his income derived from

an office or employment computed under sections 32 to 79.3 and from his income derived from any business operated by him alone or as an associate actively taking part therein; and

(i) \$590 for the taxation year 1987 and \$820 from the taxation year 1988,

i. if he ordinarily lives, throughout the year, in a self-contained domestic establishment in which no person other than the individual or a person described in paragraph *c* lives during the year,

ii. if he does not make any deduction under section 695.1, and

iii. if he meets the prescribed requirements.

**“695.1** An individual may also deduct an amount of \$3 960 in respect of the dependent person contemplated in paragraph *b* if he is not entitled to the deduction contemplated in paragraph *a* of section 695 or if he makes no deduction under paragraph *i* of the said section and, during the year,

(*a*) is unmarried or, being married, does not support or live with his spouse and is not supported by his spouse, and

(*b*) maintains, alone or jointly with one or more persons, a self-contained domestic establishment where he lives and supports a person described in paragraph *c* of section 695, wholly dependent on him or upon him and them and in respect of whom he does not make any deduction under paragraph *b*, *c*, *d* or *e* of section 695.

**“695.2** The amount contemplated in paragraph *d* of section 695 is equal to 50 % of the amount provided for, for the individual, in paragraph *c* of the said section for the year.

However, for the taxation years 1986 to 1988, the amount contemplated in paragraph *d* of section 695 is equal to the amount by which \$3 960 exceeds the aggregate of amounts provided for, for the individual, in paragraphs *c* and *i* of the said section for the year.

**“696.** The aggregate of the deductions allowed by sections 695 to 695.2 in respect of one person must be reduced by the amount of the person’s income for the year.

**“697.** No deduction is granted under paragraph *f* of section 695 unless the enrolment in an educational institution for a post-secondary educational program is certified by the sending to the Minister, in the prescribed form, of a certificate issued by the educational institution and including 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.

**“698.** No individual may claim the deduction allowed by paragraph *c* of section 695 or by section 695.1 in respect of more than one person.

**“699.** 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 allowed by paragraph *c* of section 695 or by section 695.1, only one of those persons is deemed to give entitlement to only one of those deductions.

**“700.** Where an individual is entitled to a deduction under 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 or child is deemed, for the purposes of this title, not to be his spouse or child from the time the individual makes such a payment.

**“701.** Where, for a taxation year, the aggregate of amounts that an individual would, but for this section, be entitled to deduct under sections 695 to 700 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 695 to 700 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 *f* of section 695 and in section 695.1 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 695 to 700 be reduced to the proportion of each of those amounts determined in respect of the individual by all the individuals who would be entitled to a deduction under sections 695 to 700 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.”

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

(3) For the purposes of application of section 695 of the Taxation Act for the taxation years 1984 and 1985, the said section 695 shall read as if that part of paragraph *d* which precedes subparagraph *i* were replaced by the following:

“(d) for each niece or nephew of the individual or his spouse who, during the year, is wholly dependent upon him and is resident in Canada,”.

(4) For the purposes of application of section 700 of the Taxation Act for the taxation years 1984 and 1985, the said section 700 shall read as follows:

“**700.** Where an individual is entitled to a deduction under 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 or child is deemed, for the purposes of this title, not to be his spouse or child.”

**101.** (1) Section 703 of the said Act is amended

- (1) by striking out the word “or” at the end of paragraph *h*;
- (2) by replacing the period at the end of paragraph *i* by a semicolon;
- (3) by adding the following paragraph:

“(j) an amount included in that part of his income for the year which is described in the first paragraph of section 737.16.”

(2) This section applies from 1 January 1986.

**102.** (1) Section 705 of the said Act, replaced by section 114 of chapter 25 of the statutes of 1985, is again replaced by the following section:

“**705.** For the purposes of this title, a grossed-up dividend means the amount that must be included, by virtue of subsections 1 and 2 of section 497, in computing the income of an individual for a taxation year, but does not include any such amount in respect of a dividend received by him from a corporation with which he does not deal at arm’s length, that he is deemed to receive by virtue of sections 504 to 510.1

and 517, which is included in that part, contemplated in the first paragraph of section 737.16, of his income for the year which he receives as a taxable dividend on an indexed security or which he is deemed to receive under section 666 as a taxable dividend if, in the latter case, the dividend is received because the individual is the owner of an indexed security or the dividend may reasonably be considered to relate to a taxable dividend received by a trust on an indexed security.”

(2) This section applies from 1 January 1986.

**103.** (1) Section 709 of the said Act is amended

- (1) by striking out the word “or” at the end of paragraph *f*;
- (2) by replacing the period at the end of paragraph *g* by a semicolon;
- (3) by adding the following paragraph:

“(h) an amount included in that part of his income for the year which is described in the first paragraph of section 737.16.”

(2) This section applies from 1 January 1986.

**104.** (1) Section 716 of the said Act is replaced by the following section:

“**716.** Where a taxpayer makes to a donee contemplated in paragraphs *a* or *c* to *j* of section 710 a gift of capital property which is not intangible capital property, whose fair market value exceeds the adjusted cost base to him at the time of the gift and which may be reasonably considered as suitable for use by the donee directly in the course of his activities, the taxpayer or his legal representative may designate in the fiscal return which must be filed by or for the taxpayer under section 1000 for the year during which the gift is made, an amount which is deemed to be both the proceeds of the disposition of the capital property and the amount of the gift; however, the designated amount must not be greater than the fair market value of the capital property nor less than its adjusted cost base to the taxpayer.

The first paragraph also applies in respect of property

(a) that is immovable property situated in Canada and given, after 15 February 1984, by a taxpayer who is not resident in Canada, to a prescribed donee who provides an undertaking, in a manner satisfactory to the Minister, to the effect that such property will be held for use in the public interest;

(b) the fair market value of which, at the time of the gift, exceeds its adjusted cost base to the taxpayer; and

(c) that could, at that time, reasonably be considered as suitable for use by the donee directly in the course of his activities.”

(2) This section applies in respect of a gift made after 15 February 1984.

**105.** (1) Section 718 of the said Act is replaced by the following section:

“**718.** The expenses contemplated in section 717 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 695 to 701 for the year in which the expense was incurred.”

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

**106.** (1) Section 722 of the said Act is repealed.

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

**107.** (1) Section 723 of the said Act is amended by replacing what precedes paragraph *b* by the following:

“**723.** An individual may deduct an amount of \$2 200 if he

(a) was totally blind at anytime in the year or was, by reason of illness, injury or affliction, confined to a bed or chair for a substantial period of time each day throughout any twelve-month period ending in the year or a period that commenced in the year and continued to the end of the year where, in the opinion of a physician, he will be so confined for a period of at least twelve months; and”.

(2) This section applies from the taxation year 1984. However, where it replaces what precedes paragraph *a* of section 723 of the Taxation Act, it applies from the taxation year 1986.

**108.** (1) Section 724 of the said Act is amended by replacing that part which precedes paragraph *a* by the following:

“**724.** An individual may deduct the excess of \$2 200 over the taxable income for the year, computed before making any deduction allowed by section 723, of any person resident in Canada at any time in the year, in respect of whom he has claimed a deduction under paragraph *b*, *c*, *d* or *e* of section 695 or under section 695.1 or could

have claimed such deduction if such person had had no income during the year, if”.

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

**109.** (1) Section 726 of the said Act, amended by section 116 of chapter 25 of the statutes of 1985, is replaced by the following section:

“**726.** An individual who during the year is a married person may deduct for the year the amount by which

(a) the aggregate of the amounts his spouse may claim as a deduction for the year under paragraph *h* of section 695, sections 702 to 709 or section 723, exceeds

(b) the amount by which the aggregate of his spouse’s income for the year and the amount included in computing his spouse’s taxable income for the year under section 737.8 exceeds the amount of \$5 280 mentioned first in section 695 and deductible under the said section 695.”

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

**110.** (1) The said Act is amended by inserting, after section 726.2, the following:

“TITLE VI.2

“QUÉBEC BUSINESS INVESTMENT COMPANIES

“**726.3** An individual may deduct for the year the amount contemplated in section 965.32.

“TITLE VI.3

“COOPERATIVE INVESTMENT PLANS

“**726.4** An individual may deduct for the year the amount contemplated in section 965.37.”

(2) Where this section enacts section 726.3 of the Taxation Act it has effect from 7 September 1985, and where it enacts section 726.4 of the said Act it has effect from 28 August 1985.

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

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

(a) if the taxpayer is a corporation contemplated in section 737.14, its income or loss for the year from the operations of an international financial business is deemed to be nil;

(b) if the taxpayer is an individual contemplated in section 737.15, any income or capital gain realized in the prescribed period in his regard for the purposes of the first paragraph of section 737.16 and any loss or capital loss sustained during that period are deemed to be nil.”

(2) This section applies from 1 January 1986.

**112.** (1) The said Act is amended by inserting, after section 737.12, the following:

“TITLE VII.1

“INTERNATIONAL FINANCIAL BUSINESS

“CHAPTER I

“INTERPRETATION

**“737.13** In this title, the expression “international financial business” means any business or part of a business

(a) that is operated by a corporation;

(b) all the activities of which are related to prescribed international transactions;

(c) wherein the management of activities leading to such transactions is entirely carried on at Montréal;

(d) the activities of which are grouped together in a place separate from that where the other activities of the corporation are conducted, where such is the case;

(e) in respect of which the corporation keeps a separate accounting of its operations attributable thereto;

(f) in respect of which the corporation holds a certificate in force, issued by a prescribed authority; and

(g) that fulfils any other prescribed requirement.

## “CHAPTER II

### “DEDUCTIONS

**“737.14** A corporation which, in a taxation year, operates an international financial business may deduct in computing its taxable income for the year an amount not exceeding that part of its income for the year that may reasonably be considered to be the amount by which any income from operations of any international financial business exceeds any loss from the operations.

**“737.15** An individual contemplated in the second paragraph may deduct, in computing his taxable income for a taxation year, the amount contemplated in section 737.16.

No individual may benefit by the deduction contemplated in the first paragraph unless

(a) he is specialized in the field of international financial transactions;

(b) he takes up his duties at a particular time as the employee of a particular corporation operating an international financial business;

(c) he is not resident in Canada immediately before entering into his contract of employment or immediately before taking up his duties as the employee of the particular corporation;

(d) he works from the particular time almost exclusively for the particular corporation;

(e) his duties with the particular corporation from the particular time are devoted almost exclusively to the operations of the international financial business;

(f) he holds a certificate issued by the prescribed authority within the meaning of section 737.13; and

(g) he fulfils any other prescribed requirement.

Where the individual is resident in Canada immediately before entering into a new contract of employment, subsequent to that entered into with the particular corporation and contemplated in the second paragraph, with an employer which is the particular corporation or another corporation operating an international financial business and

immediately before taking up his duties with that employer pursuant to the new contract of employment, the following rules apply for the purposes of the second paragraph:

(a) the new contract of employment is deemed not to be a contract of employment separate from the contract of employment entered into with the particular corporation and contemplated in the second paragraph or from any contract of employment subsequent to the latter but prior to the new contract of employment and entered into with a corporation operating an international financial business; and

(b) where the employer is the other corporation, the other corporation is deemed not to be a corporation separate from the particular corporation or from another corporation operating an international financial business and having employed the individual under a contract of employment subsequent to the contract entered into with the particular corporation and contemplated in the second paragraph but prior to the new contract of employment.

**“737.16** An individual contemplated in section 737.15 may deduct in computing his taxable income for a taxation year an amount not exceeding that part of his income for the year which may reasonably be considered to be earned during that part of the prescribed period established in his regard which is included in that year.

Where, in a taxation year, the individual is a member of a partnership, his portion of the income or loss of the partnership for the year shall be considered for the purposes of the first paragraph to be earned or sustained during the part of the year contemplated therein if the fiscal year of the partnership ends during that part of the year, and to be earned or sustained during the other part of the year if the fiscal year ends during that other part.

### “CHAPTER III

#### “AMOUNTS TO BE INCLUDED

**“737.17** A corporation which, in a taxation year, operates an international financial business shall include in computing its taxable income for the year an amount equal to the amount by which any loss for the year from the operations of any international financial business exceeds any income from the operations.

Notwithstanding the first paragraph, the amount contemplated there shall in no case be greater than the taxpayer’s income for the year computed without taking into account any income or loss contemplated in the first paragraph.”

(2) This section applies from 1 January 1986.

**113.** Section 750 of the said Act is amended

(1) by replacing, for the taxation year 1986, the paragraphs that follow paragraph *k* by the following paragraphs:

“(l) \$2 815.37 plus 24 per cent of that part of taxable income that exceeds \$14 519 if such income exceeds \$14 519 but does not exceed \$17 813;

(m) \$3 605.93 plus 25 per cent of that part of taxable income that exceeds \$17 813 if such income exceeds \$17 813 but does not exceed \$22 226;

(n) \$4 709.18 plus 26 per cent of that part of taxable income that exceeds \$22 226 if such income exceeds \$22 226 but does not exceed \$28 141;

(o) \$6 247.08 plus 27 per cent of that part of taxable income that exceeds \$28 141 if such income exceeds \$28 141 but does not exceed \$36 066;

(p) \$8 386.83 plus 28 per cent of that part of taxable income that exceeds \$36 066 if such income exceeds \$36 066 but does not exceed \$46 685;

(q) \$11 360.15 plus 29 per cent of that part of taxable income that exceeds \$46 685 if such income exceeds \$46 685 but does not exceed \$60 915;

(r) \$15 486.85 plus 30 per cent of that part of taxable income that exceeds \$60 915 if such income exceeds \$60 915.”;

(2) by replacing, from the taxation year 1987, the paragraphs that follow paragraph *k* by the following paragraphs:

“(l) \$2 815.37 plus 24 per cent of that part of taxable income that exceeds \$14 519 if such income exceeds \$14 519 but does not exceed \$18 820;

(m) \$3 847.61 plus 25 per cent of that part of taxable income that exceeds \$18 820 if such income exceeds \$18 820 but does not exceed \$26 347;

(n) \$5 729.36 plus 26 per cent of that part of taxable income that exceeds \$26 347 if such income exceeds \$26 347 but does not exceed \$39 169;

(o) \$9 063.08 plus 27 per cent of that part of taxable income that exceeds \$39 169 if such income exceeds \$39 169 but does not exceed \$61 608;

(p) \$15 121.61 plus 28 per cent of that part of taxable income that exceeds \$61 608 if such income exceeds \$61 608.”

**114.** (1) Section 752 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) the tax which would be payable by him if he could deduct medical expenses under sections 717 to 721 in relation to a dependent person in respect of whom he could make a deduction in computing his taxable income for the year under sections 695 to 701, if the income of such person for the year did not exceed the amount deductible under sections 695 to 695.2 by the individual in respect of that person and

“(b) 58 % of the amount by which the income of the person contemplated in paragraph *a* exceeds the amount deductible under sections 695 to 695.2 by the individual in respect of that person.”

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

**115.** (1) Section 752.1 of the said Act is amended by replacing subparagraph *b* of the first paragraph by the following subparagraph:

“(b) the percentage referred to in paragraph *r* of section 750, for the taxation year 1986, and, from the taxation year 1987, in paragraph *p* of section 750;”.

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

**116.** (1) Section 752.2 of the said Act, amended by section 127 of chapter 25 of the statutes of 1985, is again amended

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

“(a) the product obtained when the amount he deducted for the year under section 737.4 is multiplied by the percentage referred to in paragraph *r* of section 750 for the taxation year 1986 and from the taxation year 1987 in paragraph *p* of section 750”;

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

“i. the aggregate of his tax that would otherwise have been payable under this Part, computed without taking account of sections 752.1 to 776.1.5, 776.17, 776.21 to 776.28, 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”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1986.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1982; however, in its application for a taxation year prior to the taxation year 1986, paragraph i of subparagraph *b* of the first paragraph of section 752.2 of the Taxation Act shall be read without taking into account the reference therein to sections 776.21 to 776.28 of the said Act.

**117.** (1) The said Act is amended by inserting, after section 752.5, the following:

“CHAPTER I.2

“QUÉBEC FAMILY ALLOWANCES

“DIVISION I

“ADDITIONAL TAX

“**752.6** Where a family allowance is paid in a taxation year in respect of a child under the first paragraph of section 4 of the Family Allowances Act (R.S.Q., chapter A-17), the individual described in section 752.7 shall add to the tax otherwise payable by him for the year under this Part, computed without taking this chapter, Chapter I.1 and sections 776.17 and 776.21 to 776.28 into account, the amount described in the second paragraph.

The amount referred to in the first paragraph is the lesser of the following amounts:

(a) the amount of the allowance; and

(b) the amount of the tax that would be payable by the individual for the taxation year under section 750 if his taxable income for the

year were the highest hypothetical taxable income for the year among the following persons:

- i. the individual;
- ii. the spouse of the individual if the individual is married to and lives with his spouse at the end of the year;
- iii. the person other than the individual's spouse living with the individual at the end of the year, if the child in respect of whom the allowance is paid is the child of the individual and of that other person; and
- iv. the person who receives the allowance and who is not a person referred to in subparagraphs i to iii.

**“752.7** The individual contemplated in the first paragraph of section 752.6 is

(a) the individual who makes a deduction for the year under sections 695 to 701 in respect of the child;

(b) if no deduction is made for the year under sections 695 to 701 in respect of the child, the individual who, at the end of the year, is living with another person who

- i. receives the allowance;
- ii. has an income that is lower than that of the individual; and
- iii. is the spouse of the individual or, if the child in respect of whom the allowance is paid is the child of the individual and of that other person, that other person;

or

(c) where paragraphs *a* and *b* do not apply, the individual who receives the allowance.

**“752.8** For the purposes of this chapter, the “hypothetical taxable income” of an individual in a taxation year is the amount, if any, by which, the aggregate of

- (a) the individual's income for the year;
- (b) the amount that the individual is required to add under section 737.8 in computing his taxable income for the year;

(c) the amounts deducted by the individual in computing his income or taxable income for the year under subparagraph ii of paragraph c of section 28 where the amount pertains to a loss referred to in section 205, under paragraph c of section 70, sections 157.4 and 157.4.1, paragraph b of section 339, sections 360, 368, 371, 400, 401, 413, 414, 418.7, 702, 707, 708, 710 and 726, except to the extent that the amount deducted under this last section includes a deduction provided for in paragraph h of section 695 or in section 723, and under sections 726.1, 726.3 and 726.4;

(d) the amount, if any, excluded, in computing the individual's income for the year, under the second paragraph of section 38 where it refers to the value of benefits under an employee benefits plan;

(e) the amount which, but for sections 49.1 to 49.3, would be required to be included under section 49 in computing the individual's income for the year;

(f) the amount, if any, not over \$500, deducted by the individual for the year from the aggregate contemplated in paragraph g of section 312;

(g) the amount, if any, that is an amount equal to one-half of the capital gain from the disposition of property, computed in accordance with Title IV of Book III;

(h) the amount of any capital gain, computed in accordance with Title IV of Book III, that would result from the disposition of a cultural property contemplated in the second paragraph of section 232 but for the exception provided for in that paragraph concerning the disposition of a prescribed cultural property contemplated therein;

(i) the amount that is an amount equal to that portion of a loss in a year from the leasing of property comprised in the prescribed Classes 31 and 32 and that is attributable to an amount deducted for the year by the individual under the regulations made pursuant to paragraph a of section 130, as amortization of the capital cost of property of that class;

(j) the amount, if any, deducted by the individual, in computing his income for the year, under the regulations made pursuant to paragraph a of section 130, as amortization of the capital cost of prescribed property; and

(k) any other amount prescribed;

exceeds the amount computed under section 752.9.

**“752.9** The amount that an individual is required to subtract from the aggregate determined under section 752.8 is the aggregate of the amounts deducted by him under sections 693 to 749, in computing his taxable income for the year, except those amounts that are deducted by him under paragraph *c* or *e* of section 695 or under section 695.1 in respect of a child in respect of whom a family allowance contemplated in the first paragraph of section 752.6 is paid in the year.

**“752.10** Notwithstanding section 752.6, where more than one individual has made a deduction for a taxation year under sections 695 to 701 in respect of a child in respect of whom an allowance contemplated in the first paragraph of section 752.6 is paid in the year, only that portion of the amount of the allowance that the amount of the deductions made by each of such individuals under sections 695 to 701 in respect of that child, is of the total amount of the deductions made by the aggregate of such individuals under the said sections in respect of that child, shall be used for each of such individuals for the purposes of subparagraph *a* of the second paragraph of section 752.6.

“DIVISION II

“SPECIAL CASES

**“752.11** Division I does not apply to a fiscal return filed under the second paragraph of section 429 or under section 681, 782 or 1003.”

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

**118.** (1) Section 767 of the said Act is amended by adding the following paragraph:

“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 1 January 1986.

**119.** (1) Section 771.3 of the said Act, replaced by section 131 of chapter 25 of the statutes of 1985, is amended by replacing that part which precedes paragraph *a* by the following:

**“771.3** For the purposes of subparagraph *i* of paragraph *d* of subsection 1 of section 771, the excess amount contemplated in the said subparagraph *i* for a particular taxation year is deemed, in the case of a corporation that is throughout the particular year a Canadian-controlled private corporation and has for the particular year income

that is not from an eligible business carried on by it and in respect of which subsection 6 of section 129 of the Income Tax Act (Statutes of Canada) applies for the purpose of determining the amount used as a basis for computing the amount that the corporation may deduct pursuant to subsection 1 of section 125 of the said Act in computing the tax payable by it for the particular year pursuant to the said Act, to be equal to the aggregate of”.

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

**120.** (1) Section 771.4 of the said Act, enacted by section 131 of chapter 25 of the statutes of 1985, is amended

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

“(b) the aggregate of the excess amount contemplated in paragraph *a* of section 771.3 and such portion of the amount determined under paragraph *a* as exceeds the excess amount that would be determined under the latter paragraph *a* if account were taken only of the amounts included or deducted in computing the excess amount contemplated in paragraph *a* of section 771.3 and of the amounts in respect of which subsection 6 of section 129 of the Income Tax Act (Statutes of Canada) applies for the purpose of determining the amount used as a basis contemplated in section 771.3.”;

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

“However, the amount determined under the first paragraph shall in no case be greater than the income determined for the purposes of the Income Tax Act for the particular year and derived from the amounts in respect of which subsection 6 of section 129 of the said Act applies for the purpose of determining the amount used as a basis contemplated in section 771.3.”

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

**121.** (1) Sections 773 and 774 of the said Act are replaced by the following sections:

“**773.** A taxpayer who has acquired, before 24 April 1985, from a corporation constituted under the Act respecting corporations for the development of Québec business firms (R.S.Q., chapter S-28) and duly registered in accordance with the said Act at the time of acquisition, a share of the capital stock of that corporation, may deduct from his tax otherwise payable for a taxation year under this Part, the amount by which the aggregate of twenty-five per cent of the amount paid to

acquire each such share, up to twenty-five dollars per share, exceeds the amounts actually deducted under this section for previous taxation years.

**“774.** A taxpayer who has acquired, before 24 April 1985, a share of the capital stock of a corporation constituted under the Act respecting corporations for the development of Québec business firms, from a trader or broker in securities who had personally acquired it as an outright subscription for shares issued by the said corporation, may deduct from his tax otherwise payable for a taxation year under this Part, the amount by which the aggregate of twenty-five per cent of the amount paid to acquire each such share, up to twenty-five dollars per share, exceeds the amounts actually deducted by the taxpayer in that respect under this section for previous taxation years.”

(2) This section has effect from 24 April 1985.

**122.** (1) The said Act is amended by inserting, after section 775, the following section:

**“775.1** A private corporation that is 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 7 September 1985.

**123.** (1) Section 776.1 of the said Act, replaced by section 132 of chapter 25 of the statutes of 1985, is again replaced by the following section:

**“776.1** An individual may deduct from his tax otherwise payable for a taxation year under this Part, computed without taking account of sections 752.1 to 752.11 and after any other deduction allowed for the year under this Part except a deduction allowed under sections 776.17 and 776.21 to 776.28, an amount equal to 3 % of the amount of that tax otherwise payable for the year.”

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

**124.** (1) Section 776.7 of the said Act, enacted by section 134 of chapter 25 of the statutes of 1985, is 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, 776.17 and 776.21 to 776.28.”

(2) This section applies from the taxation year 1982; however, where paragraph *c* of section 776.7 of the Taxation Act refers to sections 776.21 to 776.28, it applies from the taxation year 1986.

**125.** (1) The said Act is amended by inserting, after section 776.9, the following sections:

**“776.9.1** For the purposes of this Title and of Title V.1, where a qualifying security described in subparagraph i or ii of paragraph *a* of section 776.7 of a public corporation is lawfully distributed to the public in accordance with a prospectus, registration statement or similar document filed with a public body in Canada pursuant to and in accordance with the law of Canada or of any province, and, where required by law, accepted for filing by such public body and where the corporation, if it has designated an amount under section 776.10 in respect of the qualifying security, the corporation may, in the prescribed form required to be filed under that section 776.10, elect that the first person, other than a broker or dealer in securities acting as an intermediary, to have acquired the qualifying security shall be considered to be the first holder of a qualifying security and, in such a case, no other person may then be considered the first holder thereof.

**“776.9.2** For the purposes of this Title and of Title V.1, the amount of consideration for which a qualifying security is issued or granted includes the amount of consideration for the designation made under section 776.10 in respect of the qualifying security or for the designation mentioned in section 776.18 in respect of the qualifying security.

In addition, the amount of consideration received by a corporation for the designations mentioned in sections 776.10, 776.18 and 776.19 in respect of a qualifying security shall not be included in computing the income of the corporation.”

(2) Where this section enacts section 776.9.1 of the Taxation Act, it has effect from 1 October 1983; however, any election under the said section 776.9.1 may be made by notifying the Minister of Revenue in writing not later than (*insert here the date occurring ninety days after the day on which this Act is assented to*).

(3) Where this section enacts section 776.9.2 of the Taxation Act, it applies from the taxation year 1982.

**126.** (1) Section 776.12 of the said Act, enacted by section 134 of chapter 25 of the statutes of 1985, is amended by adding the following paragraph:

“In the first paragraph, a trust does not include a trust exempt from tax under sections 980 to 999.1 or governed by an employee benefit plan or by a plan revoked under section 876 or 876.1.”

(2) This section has effect from 26 April 1984.

**127.** (1) The said Act is amended by inserting, after section 776.20, the following:

“TITLE VI

“CONSUMER TAX CREDIT

“CHAPTER I

“INTERPRETATION

“**776.21** In this title,

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

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

(c) “dependent person” of an individual in a taxation year means a dependent person within the meaning of paragraph *c* section 695, who is not the individual’s spouse and in respect of whom the individual or his spouse deducts an amount for the year under Title II of Book IV;

(d) “total income” of an individual for a taxation year means the aggregate

i. of his income for the year derived from an office or employment, computed according to this Part but without reference to section 58.1 and before any deduction provided for in that Part, other than the deduction that would be provided for in section 60 if paragraph *a* of the said section were read without taking into account the words “except any deduction allowed under section 79.1”, and other than the deductions provided for in sections 62 and 63, section 64 where it refers to a deduction other than that part of the capital cost of an aircraft allowed by regulation, sections 64.1 to 68, paragraphs *a* and *b* of section 70 and sections 77 to 78.1;

ii. of his income for the year derived from a business or from property, computed according to this Part but without reference to paragraph *v* of section 87 or section 94 and before any deduction under sections 130, 130.1, paragraph *j* of section 157 and sections 154.1, 157.4 and 157.4.1, less any losses, so computed, derived from a business or from property;

iii. of any other amount included in computing his income for the year under this Part but without taking into account section 310 where it refers to section 965.20, and paragraph *j* of section 311 and before any deduction provided for in that Part other than deductions respecting allowable capital losses and deductions provided for in paragraphs *a* to *b.1* and *d* to *g* of subsection 1 of section 336, section 337, paragraphs *a* and *d* to *f* of section 339 and section 353;

iv. of 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 made 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. of any other amount received as a lost-wages insurance benefit or as an income insurance benefit or as a replacement for wages or income.

## “CHAPTER II

### “DEDUCTION

“**776.22** Every individual who is neither a trust nor the dependent person of another individual and who is resident in Québec on the last day of a taxation year 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 776.23 exceeds 3 % of the excess amount described in section 776.24.

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

“**776.23** The aggregate contemplated in section 776.22 is equal to the total of the following amounts:

(a) for the taxation year 1986,

i. \$67 in respect of the individual contemplated therein;

ii. \$67 in respect of not more than one person being the individual's spouse during the year; and

iii. \$22 in respect of each dependent person of the individual during the year;

(b) for the taxation year 1987,

i. \$69 in respect of the individual contemplated therein;

ii. \$69 in respect of not more than one person being the individual's spouse during the year; and

iii. \$23 in respect of each dependent person of the individual during the year;

(c) for the taxation year 1988,

i. \$72 in respect of the individual contemplated therein;

ii. \$72 in respect of not more than one person being the individual's spouse during the year; and

iii. \$24 in respect of each dependent person of the individual during the year.

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

(a) the aggregate of the total income of the individual contemplated therein for the year, and of the total income of his spouse for the year, exceeds

(b) the total of the amounts that the individual could deduct for the year contemplated therein under Title II of Book IV if

i. his spouse had no income for the year, and

ii. the word “spouse” had, in that Title II, the meaning assigned to it by paragraph *a* of section 776.21.

**“776.25** Where an individual has a spouse during a taxation year, he is entitled to the deduction described in section 776.22 for the year only if he produces to the Minister a certificate from the spouse in the prescribed form.

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

**“776.27** Where more than one individual is entitled, under section 776.22, to deduct an amount in respect of the same person, no amount greater than the amount determined in section 776.23 may be deducted in respect of that person.

**“776.28** In cases described in the second paragraph of section 776.22 or in section 776.27, the Minister may determine what portion of the amount may be deducted by each individual contemplated therein if the individuals do not agree on that portion of the amount.”

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

**128.** Section 794 of the said Act is repealed.

**129.** (1) Section 872 of the said Act is amended by replacing paragraph *k* by the following paragraph:

“(*k*) no individual may become a beneficiary of the plan if he is related to the employer, to a beneficiary or member of a trust or partnership which is the employer, if he is a specified shareholder of the employer or of a corporation related to the employer, if he is related to such a shareholder or if he is a beneficiary of a trust which is the employer.”

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

**130.** (1) Section 905.1 of the said Act is amended

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

(2) by adding the following paragraph:

“(*d*) “share of the capital stock of a family farm corporation”, “child” and “interest in a family farm partnership” have the meaning assigned to them by section 451.”

(2) This section applies in respect of the transfer or assignment of property occurring after 31 December 1983.

**131.** (1) Section 908 of the said Act is amended

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

“(a) before the date provided for the first payment of benefits other than refund of premiums or other than a payment of the whole or part of the excess referred to in section 924 or of the amount by which, for a year, at a particular time, the aggregate of the amounts, other than those contemplated in paragraph *d*, *d.1* or *f* of section 339, or in section 913 apply or would apply if the individual was resident in Canada throughout the year, that the individual has paid during the year, and before the particular time, to all of the registered retirement savings plans under which he or his spouse is the annuitant, and the gifts made in the year and before the particular time, to such plans under which the individual is the annuitant, other than the gifts made by his spouse, exceeds the sum of \$5 500 plus the amounts that the individual is entitled to deduct in computing his income for the year in respect of such aggregate under section 923.1, if this title were read without reference to section 923.3, and the amounts that the individual is entitled to deduct in computing his income for the preceding year in respect of the aggregate, although such payment must not exceed the part of that aggregate paid into the plan; or”;

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

“For the purposes of paragraph *b* of subsection 1, 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 any other person was permitted a deduction provided for in paragraph *b*, *c*, *d* or *e* of section 695 in respect of that child or grandchild in computing his taxable income for the year immediately preceding the year in which the annuitant died, or if the income of the child or grandchild for that preceding year exceeded \$5 000.”

(2) This section, where it replaces paragraph *a* of subsection 1 of section 908 of the Taxation Act, applies from the taxation year 1984, and where it replaces the second paragraph of subsection 2 of the said section 908, it applies from the taxation year 1986.

**132.** (1) The said Act is amended by inserting, after section 923, the following sections:

**“923.1** Where an individual disposes of qualified farm property after 31 December 1983 and is an annuitant under a registered retirement savings plan in a taxation year or becomes such an annuitant within the following sixty days, he may deduct, in computing his income for

the year, the amount of the premium paid by him under the plan in the year or within the next sixty days, to the extent that he did not designate the amount of the premium under paragraph *d*, *d.1* or *f* of section 339, up to the amount by which

(a) the lesser of the aggregate of all amounts each of which is a taxable capital gain for the year or a preceding taxation year from such a disposition, and the amount by which his farm contribution limit for the year exceeds the aggregate of all amounts each of which is an amount deducted by him in the year or a preceding taxation year ending after 31 December 1983 under paragraph *c* of section 70 or section 922 or 923, exceeds

(b) the aggregate of amounts deducted by him under this section for preceding taxation years.

**“923.2** For the purposes of section 923.1 and of this section,

(a) “full-time farmer” during a calendar year means an individual who, in that year,

i. owns a share of the capital stock of a family farm corporation of that individual,

ii. leases land to a full-time farmer who is his spouse or his child, a corporation, any share of the capital stock of which is a share of the capital stock of a family farm corporation of his spouse or any of his children, or a partnership, an interest in which is an interest in a family farm partnership of his spouse or any of his children, where the land is used in the year in the business of farming in Canada by his spouse, any of his children, the corporation or the partnership, or

iii. is actively engaged in the business of farming in Canada other than an individual who in the year has or would have, if he sustained sufficient losses from the business of farming, a restricted farm loss for the year;

(b) “qualified farm property” of an individual means a property that was owned on 31 December 1983 by the individual or his spouse and that, at any time after 31 December 1971, and before 1 January 1984, was

i. immovable property used, in the course of carrying on the business of farming in Canada, by the individual, his spouse or any of his children, a corporation, a share of the capital stock of which is a share of the capital stock of a family farm corporation of the individual, his spouse or any of his children, or a partnership, an interest in which

is an interest in a family farm partnership of the individual, his spouse or any of his children;

ii. a share of the capital stock of a family farm corporation of the individual or his spouse, or

iii. an interest in a family farm partnership of the individual or his spouse;

(c) “farm contribution limit” of an individual for a taxation year means the amount by which the product obtained when \$10 000 is multiplied by the number of calendar years after 31 December 1971 and before 1 January 1984 during which he or his spouse was a full-time farmer exceeds the aggregate of all amounts deducted for the year or a preceding taxation year under section 923.1 by a person who was his spouse in the year of deduction.

**“923.3** For the purposes of section 923.1, where an individual has attained the age of 71 years in a preceding taxation year, any amount paid by him to acquire an annuity referred to in paragraph *f* of section 339 shall be deemed to be a premium paid under a registered retirement savings plan under which he is an annuitant.”

(2) This section applies from the taxation year 1984.

**133.** (1) Section 931.1 of the said Act is amended by adding the following paragraph:

“The first paragraph does not apply where, at the particular time contemplated in the said paragraph, the individual is living apart and separated from his spouse as a result of the breakdown of their marriage and pursuant to a decree, order or judgment of a competent tribunal or a written separation agreement.”

(2) This section applies in respect of an amount to which the second paragraph of section 914 of the Taxation Act applies after 15 February 1984.

**134.** The said Act is amended by inserting, after section 961.1.3, the following section:

**“961.1.4** An individual who would be entitled, for the taxation year 1983, 1984 or 1985, to claim a deduction of the amount provided for in section 961.1.2 in respect of a dwelling place were it not for the fact that, for reasons beyond his control, the title of ownership of the dwelling place could not be registered under the relevant Act at the time he commenced to live in the dwelling place is deemed to have

acquired the dwelling place at the time he commenced living in it if the title of ownership of the dwelling place is registered under the relevant Act before 1 January 1987.

Where, pursuant to the first paragraph, an individual is deemed to have acquired a dwelling place during a particular year and where he receives during the following year all the funds accumulated under a home ownership savings plan of which he is a beneficiary, he is deemed to have received those funds during the particular year.”

**135.** (1) Section 965.1 of the said Act is amended

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

“(h.1) “investment group” means a group of individuals described in section 965.6.1;”;

(2) by striking out the word “and” at the end of subparagraph iii of paragraph *j*;

(3) by replacing the period at the end of subparagraph iv of paragraph *j* by the following: “; and”;

(4) by adding, after subparagraph iv of paragraph *j*, the following:

“v. the amount deducted by him in computing his income under paragraph *b* of section 339 except where that paragraph refers to a deduction provided for in section 922 or 923.”

(2) Subparagraph 1 of paragraph 1 has effect from 24 April 1985.

(3) Subparagraphs 2 to 4 of subsection 1 apply from the taxation year 1983.

**136.** (1) Section 965.2 of the said Act is 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 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 24 April 1985.

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

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

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

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

(a.1) 75 % in the case of a qualifying share of a developing corporation that is a subordinate voting share or a preferred share convertible to a subordinate voting share, that is acquired by the individual or the investment group after 1985 and that is issued as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 23 April 1985;”;

(2) by replacing paragraphs *c* and *c.1* by the following paragraphs:

“(c) 100 %, 75 % or 50 % in the case of a qualifying share acquired by the individual or the investment group in 1983, in 1984 or after 1984 respectively and issued by a corporation whose assets are \$1 000 000 000 or over;

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

“(c.2) 75 % in the case of a common share with full voting rights acquired by the individual or the investment group and issued after 1985 by a corporation whose assets are under \$1 000 000 000 and that is not a developing corporation where the share is issued as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus has been granted after 23 April 1985;

“(c.3) 50 % in the case of a subordinate voting share acquired by the individual or the investment group and issued after 1985 by a corporation whose assets are under \$1 000 000 000 and that is not a developing corporation where the share is issued as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 23 April 1985; or”.

(2) This section has effect from 24 April 1985.

**138.** (1) The said Act is amended by inserting, after section 965.6, the following:

## “CHAPTER II.1

### “INVESTMENT GROUPS

“**965.6.1** An investment group is a group of individuals, other than trusts, formed solely to acquire qualifying 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.

“**965.6.2** The interest of each member in an investment group shall be, throughout the existence of the investment group, the interest determined in the declaration filed with the dealer or, where such is the case, the interest determined in paragraph *c* of section 965.6.5 or in paragraph *b* of section 965.6.6.

“**965.6.3** In no case may the number of members in an investment group be increased or any of those members replaced.

Where a requirement of the first paragraph is not fulfilled, each share included in a stock savings plan under which the investment group is a beneficiary is deemed to be withdrawn from the plan immediately before the admission of a new member.

“**965.6.4** Where an individual withdraws from an investment group of which he is a member, he may elect to transfer into a stock savings plan under which he is a beneficiary a share that is included in a stock savings plan under which the investment group is a beneficiary and that is allotted to him in respect of his withdrawal if the requirement of paragraph *g* of section 965.7 is fulfilled in respect of that share immediately before his withdrawal.

The election provided for in the first paragraph is made by transmitting a written notice to that effect to the dealer with which

the investment group entered into an arrangement provided for in section 965.2.

**“965.6.5** Where, during a taxation year, an individual withdraws from an investment group of which he is a member, the following rules apply:

(a) the individual who leaves the investment group is deemed, at that time, to have withdrawn from a stock savings plan under which he is a beneficiary a share at an adjusted cost equal to the amount of his interest in the adjusted cost of the shares included at the time of his withdrawal in a stock savings plan under which the investment group is a beneficiary;

(b) an individual who remains a member of the investment group after the withdrawal of the member is deemed to have included, at the time of the withdrawal, in a stock savings plan under which he is a beneficiary, a share at an adjusted cost equal to the amount determined in paragraph *a* in respect of the member, proportionate to his interest in the investment group immediately after the withdrawal of the member;

(c) the interest in the investment group of an individual who remains a member of the investment group is deemed, immediately after the withdrawal of the member, to be proportionate to the ratio between his interest in the investment group immediately before the withdrawal of the member, and the aggregate of the interests in the investment group, immediately before that withdrawal, of the remaining members;

(d) where the individual who withdraws from the investment group makes an election in accordance with section 965.6.4, the following rules apply:

i. the amount determined in paragraph *a* in respect of the individual is deemed to be reduced by an amount equal to the adjusted cost to the investment group of the share so transferred;

ii. paragraph *b* applies without taking subparagraph i into account;

iii. the individual is deemed to have included, where such is the case, in a stock savings plan under which he is a beneficiary a share at an adjusted cost equal to the amount by which the adjusted cost to the investment group of the aggregate of the shares so transferred exceeds the amount determined in paragraph *a* in respect of the individual, disregarding subparagraph i;

iv. the adjusted cost to the individual of a share so transferred is equal to the adjusted cost of the share to the investment group.

**“965.6.6** Where during a taxation year an individual who is a member of an investment group dies, the following rules apply:

(a) an individual who remains a member of the investment group after the death of the individual is deemed to have included, at the time of the death, in a stock savings plan under which he is a beneficiary, a share at an adjusted cost equal to the amount of the interest of the deceased member in the adjusted cost of the shares included, at the time of the death, in a stock savings plan under which the investment group is a beneficiary, proportionately to his interest in the investment group immediately after the death;

(b) the interest in the investment group of an individual who remains a member of the investment group is deemed, immediately after the member's death, to be proportionate to the ratio between his interest in the investment group immediately before the death and the aggregate of the interests in the investment group, immediately before the death, of the members other than the deceased.

**“965.6.7** Where during a taxation year an investment group is dissolved, the rules provided in paragraph *a* and subparagraphs i, iii and iv of paragraph *d* of section 965.6.5 apply, adapted as required, to each individual who was a member of the investment group immediately before its dissolution.”

(2) This section has effect from 24 April 1985.

**139.** (1) Section 965.7 of the said Act, amended by section 139 of chapter 25 of the statutes of 1985, is again amended by replacing paragraph *e* by the following paragraph:

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

(2) This section has effect from 24 April 1985.

**140.** Section 965.10.1 of the said Act is replaced by the following section:

**“965.10.1** For the purposes of paragraph *d* of section 965.10,

(a) where the date of the receipt for the final prospectus or the exemption from filing a prospectus is prior to 21 December 1983, the words “the value of the property as shown in its financial statements

submitted to the shareholders for its last taxation year ended before that date is constituted” are replaced by the words “its property is constituted”;

(b) in the case of a corporation in its first fiscal period, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or the exemption from filing a prospectus shall be replaced by a reference to its financial statements at the beginning of its first fiscal period.”

**141.** (1) The said Act is amended by inserting, after section 965.11, the following sections:

“**965.11.1** A corporation that makes a public share issue after 23 April 1985 is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,

(a) it fulfills the requirements of paragraphs *a* and *c* of section 965.10;

(b) the common shares of its capital stock carrying voting rights in all circumstances in the issuing corporation are or, immediately after that date, will be listed on the Montreal Stock Exchange;

(c) its activity consists mainly in investing funds in the form of shares or capital stock of other corporations or in extending non-guaranteed loans;

(d) more than 50 % of the value of the investments mentioned in paragraph *c* as shown in the financial statements submitted to the shareholders for its last taxation year ended before that date is constituted of investments in corporations that mainly carry on their activities in Québec and whose shares are not listed on a stock exchange;

(e) it participates in the administration of at least five different corporations described in paragraph *d* in which it holds investments mentioned in paragraph *c*;

(f) it attests to the Minister, in prescribed form, that it undertakes to fulfill the requirements of paragraphs *a* to *e* throughout the twenty-four months following that date.

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

**“965.11.3** For the purposes of application of paragraph *f* of section 965.11.1 and of section 965.11.2 at a particular time during the twenty-four months mentioned therein, the requirement provided in paragraph *d* of section 965.11.1 shall, where the financial statements submitted to the shareholders for the last taxation year of the corporation ended before that date are referred to, be interpreted as a requirement in respect of the statements submitted to the shareholders for the last taxation year of the corporation ended before the particular time.

**“965.11.4** For the purposes of paragraph *d* of section 965.11.1 in the case of a corporation that is in its first fiscal period, the reference to the financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus shall be replaced by a reference to its financial statements at the beginning of its first fiscal period.”

(2) This section applies in respect of a corporation that makes a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 23 April 1985.

**142.** (1) Section 965.12 of the said Act is amended by repealing paragraph *a*.

(2) This section applies from 1 November 1985 in respect of corporations constituted under the Act respecting corporations for the development of Québec business firms (R.S.Q., chapter S-28) as repealed by section 2 of the Act to repeal the Act respecting corporations for the development of Québec business firms (1985, chapter 36).

**143.** Section 965.16.1 of the said Act is amended by replacing paragraph *c* by the following paragraph:

“(c) immediately before the amalgamation, one of the predecessor corporations met all the requirements to qualify as a developing corporation, except the requirement that it make a public share issue and the requirement provided in paragraph *b* of section 965.10, assuming, if so, that that notion of developing corporation existed before the amalgamation.”

**144.** (1) Section 965.19 of the said Act is replaced by the following sections:

**“965.19** In no case may the amount of the deduction provided for in section 965.18 exceed the lesser of the aggregate determined

under section 965.19.1 and the amount obtained by subtracting the deductible amounts in computing the individual's income for the year under paragraph *c* of section 70 and paragraph *b* of section 339 and the adjusted cost of the shares mentioned in paragraph *b* of section 965.6 purchased by him and in respect of which he deducts an amount, during the year, pursuant to section 776.1.1 or 776.1.2, from the lesser of

(a) 20 % of his total income for the year, and

(b) \$15 000 for the taxation year 1983, \$20 000 for the taxation years 1984 and 1985 and \$12 000, \$14 000, \$16 000, \$18 000 or \$20 000 for the taxation years 1986, 1987, 1988 and 1989 or taxation years after 1989, respectively.

For the purposes of the first paragraph, a deductible amount in computing the income of an individual under paragraph *b* of section 339 is deemed to include only an amount deductible under section 922 or 923 in that computation.

**“965.19.1** The aggregate contemplated in the first paragraph of section 965.19 is equal to the aggregate of \$1 000 and the adjusted cost of the qualifying shares, other than a qualifying share issued by a corporation whose assets are \$1 000 000 000 or over, that the individual purchased during the year and that he included in a stock savings plan not later than 31 January of the following year.

**“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 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 965.6.3 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, where it enacts the second paragraph of section 965.19 of the Taxation Act, applies from the taxation year 1983; where it replaces the first paragraph of the said section 965.19 and enacts section 965.19.1 of the said Act, it applies from the taxation year 1986, and where it enacts section 965.19.2 of the said Act, it has effect from 24 April 1985.

**145.** (1) Section 965.20 of the said Act is amended by adding the following paragraph:

“For the purposes of the first paragraph, where the individual is a member of an investment group and where during the taxation year the investment group withdraws a share from a stock savings plan under which it is a beneficiary, that share constitutes, up to the amount of the individual’s interest in the investment group indicated in the declaration filed with the dealer or, where such is the case, determined in paragraph *c* of section 965.6.3 or in paragraph *b* of section 965.6.6, a share withdrawn by the individual from a stock savings plan under which he is a beneficiary.”

(2) This section has effect from 24 April 1985.

**146.** (1) Section 965.20.1 of the said Act is amended

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

“**965.20.1** For the purposes of section 965.20, an investment group or an individual, where such is the case, which or who, in the course of a year, withdraws from a stock savings plan shares of the same class of the capital stock of a corporation as it or he had included at various adjusted costs shall elect to evaluate the amount of the withdrawal according to a reasonable valuation method.”;

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

“Where an investment group or an individual, where such is the case, withdraws a share from a stock savings plan after 22 May 1984 without electing in prescribed manner, the method used in the case of that withdrawal is deemed to have been elected pursuant to this section.”

(2) This section has effect from 24 April 1985.

**147.** (1) The said Act is amended by inserting, after section 965.20.1, the following section:

“**965.20.2** An individual contemplated in section 965.20.1 who is a member of an investment group and who in the course of a year withdraws from a stock savings plan shares of the same class of the capital stock of a corporation as those which the investment group previously withdrew from its plan is not required to use, in respect of the withdrawal, the method used by the investment group in respect of those shares.

Similarly, an investment group contemplated in section 965.20.1 that in the course of a year withdraws from a stock savings plan shares of the same class of the capital stock of a corporation as those which

an individual who is a member of the investment group previously withdrew from his plan is not required to use, in respect of the withdrawal, the method used by the individual in respect of those shares.”

(2) This section has effect from 24 April 1985.

**148.** (1) Section 965.24 of the said Act is repealed.

(2) This section applies from 1 November 1985 in respect of corporations constituted under the Act respecting corporations for the development of Québec business firms (R.S.Q., chapter S-28) as repealed by section 2 of the Act to repeal the Act respecting corporations for the development of Québec business firms (1985, chapter 36).

**149.** (1) Sections 965.25 to 965.27 of the said Act are replaced by the following sections:

“**965.25** Every dealer or federation with whom an individual or an investment group has made an arrangement for a stock savings plan shall keep in Québec a record indicating, in a separate account, all the transactions effected on behalf of that individual or investment group under that plan.

“**965.26** The dealer or federation shall ensure that every share or stock to be included in a stock savings plan has been purchased within the scope 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 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 the application for an exemption from filing a prospectus, that the share could be included in a stock savings plan.

“**965.27** An individual who avails himself of this title shall attach to his fiscal return filed for a taxation year in accordance with section 1000 a statement in the prescribed form concerning the stock savings plans under which he is a beneficiary or those under which an investment group of which he is a member is a beneficiary together with a copy of the declarations in the prescribed form received by him in the year in respect of those plans from the dealers or federations mentioned in section 965.2.”

(2) This section has effect from 24 April 1985.

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

“TITLE VI.2

“QUÉBEC BUSINESS INVESTMENT COMPANIES

“CHAPTER I

“INTERPRETATION

“**965.29** In this title, the expression

(a) “common share with full voting rights” means a common share with full voting rights within the meaning of the Act respecting Québec business investment companies (1985, chapter 9);

(b) “venture capital corporation” means a venture capital corporation within the meaning of the Act respecting Québec business investment companies;

(c) “interest in a qualified investment” means the proportion of a qualified investment of a Québec business investment company, immediately before a qualified investment is made by a Québec business investment company, that the paid-up capital of the common shares with full voting rights of the share capital of the Québec business investment company beneficially owned by a shareholder is of the total paid-up capital of all issued and paid-up common shares with full voting rights of the share capital of the Québec business investment company;

(d) “qualified investment” means an investment made by a Québec business company in accordance with the Act respecting Québec business investment companies;

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

(f) “Québec business investment company” means a corporation described in section 1 of the Act respecting Québec business investment companies whose registration as such is in force.

## “CHAPTER II

### “GENERAL PROVISIONS

“**965.30** The unused qualified investment deduction of an individual for a taxation year is the amount by which the aggregate of the amounts representing his share 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.

“**965.31** The unused qualified investment deduction of a private corporation which is a venture capital corporation for a taxation year is the amount by which 20 % of the aggregate of the amounts representing its 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.

## “CHAPTER III

### “DEDUCTIONS

“**965.32** An individual, other than a trust, who is resident in Québec on 31 December of a year may deduct in computing his taxable income for that year an amount not exceeding the sum of the aggregate of the amounts representing his interest in a qualified investment for the year and his unused qualified investment deduction for the year.

The amount of the deduction provided for in the first paragraph shall not exceed 20 % of the individual's total income for the year.

“**965.33** A private corporation which is 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 interest in a qualified investment for the year and its unused qualified investment deduction for the year.

## “CHAPTER IV

### “ADMINISTRATION

“**965.34** An individual or a private corporation which is 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 in 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.

## “TITLE VI.3

### “COOPERATIVE INVESTMENT PLANS

#### “CHAPTER I

##### “INTERPRETATION

“**965.35** For the purposes of this Title, the expression

(a) “qualified cooperative” means a qualified cooperative within the meaning of the Décret concernant le Régime d’investissement coopératif (Order 1596-85, 7 August 1985) passed under the Act respecting the Ministère de l’Industrie et du Commerce (R.S.Q., chapter M-17);

(b) “adjusted cost” means the cost of a qualifying security as determined under section 965.36;

(c) “total income” means the total income of an individual within the meaning of paragraph *j* of section 965.1;

(d) “qualifying security” means a qualifying security within the meaning of the Décret concernant le Régime d’investissement coopératif passed under the Act respecting the Ministère de l’Industrie et du Commerce.

#### “CHAPTER II

##### “GENERAL PROVISION

“**965.36** The adjusted cost to an individual of a qualifying security is obtained by multiplying the cost to the individual of the security, determined without taking account of the borrowing costs or other costs related to the acquisition of the security, by 150 % in the case of a qualifying security acquired in 1985 or by 100 % in the case of a qualifying security acquired after 1985.

## "CHAPTER III

## "DEDUCTION

**"965.37** An individual, other than a trust, who is resident in Québec on 31 December of a year and who acquires during that year a qualifying security may deduct in computing his taxable income for the year an amount not exceeding the adjusted cost of the qualifying security.

**"965.38** Notwithstanding section 965.37, in no case may the amount of the deduction provided for in the said section exceed the amount obtained by subtracting the deductible amounts in computing the individual's income for the year under paragraph *c* of section 70 and paragraph *b* of section 339 and the adjusted cost of the shares mentioned in paragraph *b* of section 965.6 purchased by him and in respect of which he deducts an amount, during the year, pursuant to sections 776.1.1 or 776.1.2 and 965.18, from the lesser of

(a) 20 % of his total income for the year, and

(b) \$20 000, \$12 000, \$14 000, \$16 000, \$18 000 or \$20 000 for the taxation years 1985, 1986, 1987, 1988, 1989 or any taxation year subsequent to 1989, respectively.

For the purposes of the first paragraph, a deductible amount in computing an individual's income under paragraph *b* of section 339 is deemed to include only an amount deductible under section 922 or 923 in computing his income.

## "CHAPTER IV

## "ADMINISTRATION

**"965.39** An individual who avails himself of this Title shall attach to his fiscal return filed for a taxation year under section 1000 a statement in prescribed form of his investment in a qualified cooperative and a copy of the statements in prescribed form received by him from a qualified cooperative for the year in respect of that investment."

(2) This section, where it enacts sections 965.29 to 965.34 of the Taxation Act, has effect from 7 September 1985 and, where it enacts sections 965.35 to 965.39 of the said Act, has effect from 28 August 1985.

**151.** (1) Section 966 of the said Act is amended by inserting, after paragraph *a.1*, the following paragraph:

“(a.2) “child” of a policyholder includes a child as defined in paragraph *d* of section 451;”.

(2) This section applies to taxation years beginning after 31 December 1982.

**152.** (1) Section 966.1 of the said Act is amended

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

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

(3) by adding the following paragraph:

“(c) where section 92.17 does not apply to an interest in a life insurance policy, other than an annuity contract, last acquired before 2 December 1982 that has been acquired by a taxpayer from a person with whom he was not dealing at arm’s length, the interest is deemed to have been last acquired by the taxpayer before 2 December 1982.”

(2) This section applies to taxation years beginning after 31 December 1982.

**153.** (1) The said Act is amended by inserting, after section 971, the following section:

“**971.1** Notwithstanding any other provision in this title, where an interest in a life insurance policy other than an annuity contract has been transferred to the policyholder’s spouse or child for no consideration, to the spouse or a former spouse of the policyholder in settlement of rights arising out of their marriage, or to an individual if the transfer is made pursuant to a decree, order or judgment of a competent tribunal made in accordance with prescribed provisions of the law of a province if that individual is a person within a prescribed class of persons referred to in such provisions, and where the transferee or a child of the policyholder or transferee is the person whose life is insured under the policy, the interest is deemed to have been disposed of by the policyholder for proceeds of disposition equal to the adjusted cost base to the policyholder of the interest immediately before the transfer, and the transferee is deemed to have acquired the interest at a cost equal to those proceeds.”

(2) This section applies to taxation years beginning after 31 December 1982.

**154.** (1) Section 985.1 of the said Act is amended

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

“(a.1) “disbursement quota” for a taxation year of a charitable foundation means the amount determined for the year in respect of the foundation under sections 985.9 to 985.9.3;

“(a.2) “specified gift” means that portion of a gift, made in a taxation year by a registered charity, that is designated as a specified gift in the return that it is required to transmit to the Minister for the year in accordance with section 985.22;”;

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

“(f) “public foundation” means a charitable foundation described in section 985.1.1;

“(g) “charitable organization” means an organization described in section 985.1.2.”

(2) This section applies to taxation years beginning after 31 December 1983; however, where it replaces paragraph *g* of section 985.1 of the Taxation Act, it applies to taxation years beginning after 31 December 1984.

**155.** (1) The said Act is amended by inserting, after section 985.1, the following sections:

“**985.1.1** The charitable foundation contemplated in paragraph *f* of section 985.1 is a charitable foundation of which,

(a) where the foundation has been registered after 15 February 1984, has begun after that date to be deemed registered in accordance with subsection 2 of section 985.5 or has been designated as a private foundation or charitable organization pursuant to section 985.4.1 or 985.4.3, more than 50 % of the directors, officers, trustees or like officials deal with each other and with each of the other directors, officers, trustees, or officials at arm’s length, and not more than 50 % of the capital contributed or otherwise paid in to the foundation has been so contributed or otherwise paid in by one person or members of a group of such persons who do not deal with each other at arm’s length;

(b) in any other case, more than 50 % of the directors or trustees deal with each other and with each of the other directors or trustees at arm’s length, and not more than 75 % of the capital contributed or otherwise paid in to the foundation has been so contributed or otherwise

paid in by one person or by a group of persons who do not deal with each other at arm's length.

For the purposes of subparagraph *a* of the first paragraph, the expressions "person" and "members of a group" do not include Her Majesty in right of Canada or a province, a municipality, club, society or association that is exempt from tax pursuant to section 996, or another registered charity that is not a private foundation.

**"985.1.2** The organization contemplated in paragraph *g* of section 985.1 is an organization, whether or not incorporated,

(*a*) all the resources of which are devoted to charitable activities carried on by the organization itself;

(*b*) no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof;

(*c*) more than 50 % of the directors, officers, trustees or like officials of which deal with each other and with each of the other directors, officers, trustees or officials at arm's length, and

(*d*) where the organization has been designated to be a private foundation or public foundation pursuant to section 985.4.1 or 985.4.3, has applied for registration under subsection 1 of section 985.5 after 15 February 1984 or has begun after that date to be registered pursuant to subsection 2 of section 985.5, not more than 50 % of the capital of which has been contributed or otherwise paid in to the organization by one person or members of a group of persons who do not deal with each other at arm's length.

The second paragraph of section 985.1.1 also applies for the purposes of subparagraph *d* of the first paragraph."

(2) This section, where it enacts section 985.1.1 of the Taxation Act, applies to taxation years beginning after 31 December 1983; however, for the application of the said section 985.1.1 to such taxation years beginning before 1 January 1985, subparagraph *a* of the first paragraph of the said section 985.1.1 shall be read as follows:

"(*a*) where the foundation has been registered after 15 February 1984, has begun after that date to be deemed to be registered in accordance with subsection 2 of section 985.5 or has been designated to be a private foundation or charitable organization in accordance with section 985.4.1 or 985.4.3, more than 50 % of the directors or trustees deal with each other and with each of the other directors or trustees

at arm's length, and not more than 75 % of the capital contributed or otherwise paid in to the foundation has been so contributed or otherwise paid in by one person or by a group of persons who do not deal with each other at arm's length;"

(3) This section, where it enacts section 985.1.2 of the Taxation Act, applies to taxation years beginning after 31 December 1984.

**156.** (1) The said Act is amended by inserting, after section 985.2, the following sections:

**"985.2.1** For the purposes of paragraph *b* of sections 985.6 to 985.8 and section 985.21, a specified gift is deemed to be neither an amount expended in a taxation year on charitable activities nor a gift made to a qualified donee.

**"985.2.2** The Minister may, on application made to him in prescribed form by a registered charity, specify an amount in respect of the charity for a taxation year and, for the purposes of paragraph *b* of each of sections 985.6 to 985.8, such amount is deemed to be an amount expended by the charity in the year on charitable activities carried on by it."

(2) This section, where it enacts section 985.2.1 of the Taxation Act, applies to taxation years beginning after 31 December 1983 and, where it enacts section 985.2.2 of the said Act, applies from the taxation year 1984.

**157.** (1) The said Act is amended by inserting, after section 985.4, the following sections:

**"985.4.1** Where a charity was a registered charity on 15 February 1984, the Minister may, by notice sent to the charity by registered mail before (*insert here the date of the ninetieth day following the date of assent to this Act*), designate the charity to be a charitable organization, private foundation or public foundation.

**"985.4.2** Section 985.4.1 does not apply to a charity deemed to be registered in accordance with subsection 2 of section 985.5.

**"985.4.3** Where a charity has been registered after 15 February 1984, has begun after that date to be deemed to be registered in accordance with subsection 2 of section 985.5 or has been designated pursuant to section 985.4.1 or this section or subsection 8.1 or 8.2 of section 110 of the Income Tax Act (Statutes of Canada), the Minister may, by notice sent to the charity by registered mail, on his own initiative

or on application made to him in prescribed form, designate the charity to be a charitable organization, private foundation or public foundation.”

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

**158.** (1) Section 985.5 of the said Act is replaced by the following sections:

**“985.5** (1) On application made to him in prescribed form, the Minister may approve for registration as a charitable organization, private foundation or public foundation a charitable foundation, private foundation or public foundation, as the case may be, that is resident in Canada and was either created or established in Canada.

(2) An organization that, on 31 December 1976, was a Canadian charitable organization prescribed within the meaning of the regulations made under section 710, as they read in their application to the taxation year 1976, whose registration has not been revoked by the Minister and which has been designated as contemplated in section 985.4.3 or a charity that is a charitable organization, private foundation or public foundation, as the case may be, that is in conformity with the standards prescribed for such purpose, shall be considered to be a charity registered as a charitable organization, private foundation or public foundation, as the case may be.

**“985.5.1** The charity contemplated in section 985.4.1 is deemed from the day of mailing of the notice mentioned therein to be registered as a charitable organization, private foundation or public foundation, as the case may be, for taxation years beginning after 31 December 1983 unless and until it is otherwise designated under section 985.4.3 or its registration is revoked under sections 985.6 to 985.8.1 or sections 1063 to 1065.

Section 87 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), adapted as required, applies to the notice contemplated in the first paragraph.

**“985.5.2** The charity contemplated in section 985.4.3 is deemed to be registered as a charitable organization, private foundation or public foundation, as the case may be, for the taxation years beginning after the day of mailing of the notice mentioned in the said section 985.4.3 until it is otherwise designated pursuant to the said section 985.4.3, unless and until its registration is revoked under sections 985.6 to 985.8.1 or sections 1063 to 1065 or, in the case of a charity that is deemed to be registered in accordance with subsection 2 of section 985.5, unless and until it ceases to be so deemed to be registered.

Section 87 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), adapted as required, applies to the notice contemplated in the first paragraph.”

(2) This section, where it replaces section 985.5 of the Taxation Act, applies in respect of a charity registered after 15 February 1984 that began after that date to be deemed to be registered in accordance with subsection 2 of the said section 985.5, or that has been designated as contemplated in section 985.4.3 of the said Act.

(3) This section, where it enacts sections 985.5.1 and 985.5.2 of the Taxation Act, applies to taxation years beginning after 31 December 1983.

**159.** (1) Section 985.6 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts that are at least equal to the amount that would be determined for the year under paragraph *a* of section 985.9 in respect of the organization if it were a charitable foundation.”

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

**160.** (1) Section 985.7 of the said Act is amended by replacing paragraphs *b* and *c* by the following paragraphs:

“(b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts that are at least equal to its disbursement quota for that year;

“(c) has, since 1 June 1950, acquired control of any corporation; for such purpose, a corporation is controlled by a charitable foundation if more than 50 % of its issued share capital having full voting rights under all circumstances belongs to the foundation or both the foundation and persons with whom the foundation does not deal at arm’s length; however, a charitable foundation is deemed not to have acquired control of a corporation if it has not purchased or otherwise acquired for a consideration more than 5 % of the issued shares of any class of the capital stock of that corporation;”.

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

**161.** (1) Sections 985.8 and 985.9 of the said Act are replaced by the following sections:

**“985.8** The Minister may, in the manner provided in sections 1064 and 1065, revoke the registration of a private foundation in the cases provided for in paragraphs *c* and *d* of section 985.7 or where the foundation

(a) carries on any business; or

(b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts that are at least equal to its disbursement quota for that year.

**“985.8.1** Where a registered charity has made a gift to another registered charity and it may reasonably be considered that one of the main purposes of making the gift was to unduly delay the expenditure of amounts on charitable activities, the Minister may, in the manner described in sections 1064 and 1065, revoke the registration of the charity that made the gift and, where it may reasonably be considered that the charities acted in concert, of the other charity.

**“985.9** The amount contemplated in paragraph *a.1* of section 985.1 for a taxation year in respect of a charitable foundation is the aggregate of

(a) 80 % of the aggregate of all gifts other than a gift mentioned in section 985.9.1 for which the foundation issued a receipt contemplated in section 712 in its immediately preceding taxation year;

(b) in the case of a private foundation, the aggregate of all amounts received by it in its immediately preceding taxation year from a registered charity, other than an amount that is a specified gift;

(c) in the case of a public foundation, 80 % of the aggregate of all amounts received by it in its immediately preceding taxation year from a registered charity, other than an amount that is a specified gift;

(d) the proportion of the amount determined for the year in respect of the foundation under section 985.9.2, represented by the ratio between the number of days included in that year and 365;

(e) in each of its first 10 taxation years beginning after 31 December 1983, that portion of the amount determined for the year under section 985.9.3 in respect of the foundation that is not less than the quotient obtained by dividing that amount by the difference between 10 and the number of preceding taxation years of the foundation that began after 31 December 1983 and before the year.

“**985.9.1** The gifts contemplated in paragraph *a* of section 985.9 do not include

(*a*) a gift of capital received by the charitable foundation by way of bequest or inheritance;

(*b*) a gift received by the charitable foundation subject to a trust or direction to the effect that the property given, or property substituted therefor, is to be held by the foundation for a period of not less than 10 years;

(*c*) a gift received by the charitable foundation from a registered charity.

“**985.9.2** For the purposes of paragraph *d* of section 985.9, the amount for a taxation year in respect of a charitable foundation is equal to 4.5 % of the amount by which

(*a*) the aggregate of all amounts each of which is equal to the proportion, represented by the ratio determined pursuant to the second paragraph, of the value, determined in prescribed manner, at the beginning of the year, of such portion of a property, other than a prescribed property, owned by the foundation at that time as, for a period in its immediately preceding taxation year, was owned by the foundation and not used directly in charitable activities or administration exceeds the aggregate of

(*b*) the amount determined in respect of the foundation under paragraph *b* of section 985.9 and  $\frac{5}{4}$  of the amounts determined in respect of the foundation for the year under paragraphs *a* and *c* of the said section 985.9.

The ratio contemplated in subparagraph *a* of the first paragraph, is that between the number of days included in the period contemplated in the said subparagraph and the number of days, included in the immediately preceding taxation year, during which the foundation owned the property contemplated in the said subparagraph.

“**985.9.3** For the purposes of paragraph *e* of section 985.9, the amount for a taxation year in respect of a charitable foundation is the amount by which

(*a*) 90 % of the amount by which the amount deducted by the foundation, for its last taxation year that began before 1 January 1984 in accordance with section 985.18 as it read for that year, exceeds the aggregate of the amounts determined in respect of the foundation under

paragraph *b* of the first paragraph of section 985.9.2 for its first taxation year beginning after 31 December 1983 exceeds

(*b*) the aggregate of all amounts each of which is an amount included under the said paragraph *e* in determining the disbursement quota of the foundation for a preceding taxation year.”

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

**162.** (1) Sections 985.10 to 985.13 of the said Act are repealed.

(2) This section applies to taxation years beginning after 31 December 1983; however, where it repeals section 985.12 of the Taxation Act, it applies from the taxation year 1984.

**163.** (1) Section 985.14 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) a specified gift or a gift described in paragraph *a* or *b* of section 985.9.1;”.

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

**164.** (1) Section 985.16 of the said Act is replaced by the following section:

“**985.16** Property accumulated by a registered charity as provided in section 985.15, including any income related thereto, that is not used for the purpose provided in the said section 985.15 before the expiration of the period specified therein or at any earlier time at which a decision has been made in such respect by the charity, is deemed to be income of the charity and a gift for which it issued a receipt contemplated in section 712 for its taxation year in which such period expires or such decision is made, as the case may be.”

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

**165.** (1) Section 985.18 of the said Act is repealed.

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

**166.** (1) Section 985.20 of the said Act is replaced by the following section:

**“985.20** Where a registered charity has expended a disbursement excess for a taxation year, the charity may, for the purpose of determining whether it has complied with the requirements of paragraph *b* of section 985.6, 985.7 or 985.8, as the case may be, for the immediately preceding taxation year of the charity and 5 or less of its immediately subsequent taxation years, include in the computation of the amounts expended for charitable activities carried on by it and by way of gifts made by it to qualified donees, such portion of the disbursement excess for that taxation year as was not so included under this section for a previous taxation year.”

(2) This section applies from the taxation year 1984.

**167.** (1) Section 985.21 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) in the case of a charitable foundation, its disbursement quota for the year; or

“(b) in the case of a charitable organization, the amount that would be determined for the year under paragraph *a* of section 985.9 in respect of the organization if it were a charitable foundation.”

(2) This section applies from the taxation year 1984.

**168.** (1) Section 985.22 of the said Act is replaced by the following section:

**“985.22** Every registered charity shall, within six months from the end of each taxation year, file with the Minister an information return for the year in prescribed form and containing prescribed information, without notice or demand therefor.”

(2) This section applies from the taxation year 1984.

**169.** (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 695 to 701 and 738 to 749;”.

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

**170.** (1) Section 1000 of the said Act is amended by replacing paragraph 1 by the following paragraph:

**“1000.** (1) A fiscal return containing prescribed information must be filed with the Minister in prescribed form, without notice or demand therefor, for each taxation year in the case of a corporation other than a corporation that was a registered charity throughout the year and for each taxation year for which a tax contemplated in this Part is or would be, but for section 776.6 to 776.20, payable in the case of an individual.”

(2) This section applies from the taxation year 1983.

**171.** (1) Section 1010 of the said Act, amended by section 146 of chapter 25 of the statutes of 1985, is again amended

(1) by replacing paragraphs *a* and *a.1* of subsection 2 by the following paragraphs:

“(a) within three years from the day of mailing of an original assessment or of a notification that no tax is payable for a taxation year;

“(a.1) within six years from the day contemplated in paragraph *a* where the Minister shall reassess the taxpayer’s tax in accordance with section 1012 or should reassess the tax if the taxpayer has claimed an amount in the prescribed time limit pursuant to the said section 1012 or where, following another taxpayer’s tax reassessment in accordance with this paragraph or section 1012, it is advisable to reassess the taxpayer’s tax for any relevant taxation year;”;

(2) by replacing subsection 3 by the following subsection:

“(3) However, the Minister may, under paragraph *a.1* of subsection 2, reassess or make an additional assessment beyond the three-year period contemplated in paragraph *a* of subsection 2 only to the extent that the reassessment or additional assessment may be reasonably regarded as related to the tax reassessment contemplated in the said paragraph *a.1*.”

(2) This section applies from the taxation year 1983.

**172.** (1) The said Act is amended by inserting, after section 1010, the following section:

**“1010.1** Where the Minister would, but for this section, be entitled by virtue only of the filing of a waiver contemplated in subparagraph ii of paragraph *b* of subsection 2 of section 1010, to assess tax, interest or penalties under this Part, and to make a reassessment or additional assessment, as the case may be, he may not make such reassessment, additional assessment or assessment after the day that is six months

after the date on which a notice of revocation of the waiver in prescribed form and in duplicate, addressed to the Deputy-Minister, is filed by registered or certified mail.”

(2) This section has effect from 16 February 1984; however, for the purposes of application of section 1010.1 of the Taxation Act to a waiver filed before 16 February 1984 which was revoked by a notice of revocation filed before 1 January 1986, the words “six months” in the said section 1010.1 are replaced by the words “one year”.

**173.** (1) Section 1012.1 of the said Act, enacted by section 147 of chapter 25 of the statutes of 1985, is amended

(1) by striking out, in the French text, the word “ou” at the end of paragraph *d*;

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

“(d.1) section 772 in respect of an unused portion of the foreign tax credit within the meaning of the regulations made under section 772 for a subsequent taxation year; or”.

(2) This section applies from the taxation year 1984; however, an amount may be claimed as a deduction contemplated in paragraph *d.1* of section 1012.1 of the Taxation Act by filing, in prescribed form, the application contemplated in section 1012 of the said Act on or before the day on or before which it would be required to be filed under the said section 1012, or 20 March 1985, whichever is later.

**174.** (1) Section 1014 of the said Act is amended by replacing the third paragraph by the following paragraph:

“However, where a court vacates an assessment on the ground that it has been issued more than three years or where paragraph *a.1* of subsection 2 of section 1010 applies, more than six years after the mailing of an original assessment, the assessment replaced by the assessment so vacated remains valid and binding, but any time prescribed by a fiscal law and applicable in regard thereto begins to run from the date of the judgment vacating the last assessment.”

(2) This section applies from the taxation year 1983.

**175.** (1) Section 1025 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) on or before 31 December in each taxation year, an amount equal to two-thirds of his tax for the year estimated in accordance with

section 1004 computed without reference to sections 776.6 to 776.20 or of his basic provisional account, established in prescribed manner for the preceding year; and”.

(2) This section applies in respect of an amount deducted under sections 776.6 to 776.20 of the Taxation Act respecting a qualifying security contemplated in the said sections 776.6 to 776.20 and acquired after 15 February 1984, except a qualifying security acquired before 1 March 1984 if the arrangements evidenced in writing for the issue or allotment, as the case may be, of the qualifying security were substantially advanced before 16 February 1984.

**176.** (1) Section 1026 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) on or before 31 March, 30 June, 30 September and 31 December in each taxation year, an amount equal to one-fourth of his tax for the year estimated in accordance with section 1004, computed without reference to sections 776.6 to 776.20, or of his basic provisional account, established in prescribed manner for the preceding year, and”.

(2) This section applies in respect of an amount deducted under sections 776.6 to 776.20 of the Taxation Act respecting a qualifying security contemplated in sections 776.6 to 776.20 and acquired after 15 February 1984, except a qualifying security acquired before 1 March 1984 if the arrangements, evidenced in writing for the issue or allotment, as the case may be, of the qualifying security were substantially advanced before 16 February 1984.

**177.** (1) Section 1026.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**1026.1** Paragraph *a* of section 1025 and paragraph *a* of section 1026 do not apply to any individual whose tax for the year, computed without reference to sections 776.6 to 776.20, or whose basic provisional account for the preceding year is less than the amount determined by regulation; the amount may be greater in the case of an individual 60 years of age or more.”

(2) This section applies from the taxation year 1984.

**178.** (1) Section 1027 of the said Act is amended by replacing the second paragraph by the following paragraph:

“However, subparagraph *a* of the first paragraph does not apply to a corporation whose aggregate taxes payable for the year or aggregate

first basic provisional accounts pursuant to this Act within the meaning of the regulations made under paragraph *i* of subparagraph *a* of the first paragraph do not exceed \$1 000 for the year.”

(2) This section applies from the taxation year 1984 and in respect of a payment that a corporation is bound to make after 10 May 1983.

**179.** (1) Section 1028 of the said Act is replaced by the following section:

“**1028.** Where a corporation has held forth the prospect that it will make the allocations contemplated in sections 786 to 796 to its customers of a taxation year or where it is a savings and credit union and its taxable income for the year is estimated by it to be not more than \$10 000, it may, at the end of the period mentioned in paragraph *b* of the first paragraph of section 1027 and instead of making the payments provided for in the said section, pay to the Minister the whole of the tax as estimated under section 1004.”

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

**180.** (1) Section 1029.9 of the said Act, replaced by section 151 of chapter 25 of the statutes of 1985, is again replaced by the following section:

“**1029.9** A taxpayer who, on 31 December of a calendar year subsequent to the calendar year 1983 included in his taxation year, is the holder of a taxi permit in force and who meets the requirements prescribed by regulation, is deemed to have paid to the Minister on the day on which he is required, in accordance with section 1000, to file his fiscal return for that taxation year or on which he would have been required to file such return if he had had any tax to pay for that taxation year under this Part, on account of his tax payable for that taxation year under this Part, an amount of \$500 for each such taxi permit.

For the purposes of the first paragraph, the expressions “taxi permit” and “holder” have the meaning assigned to them by regulation.”

(2) This section applies from the taxation year 1984.

**181.** (1) The said Act is amended by inserting, after section 1034, the following sections:

“**1034.0.1** Notwithstanding section 1034, the rules mentioned in section 1034.0.2 apply where a taxpayer transfers property to his spouse pursuant to a decree, order or judgment of a competent tribunal

or pursuant to a written separation agreement and where, at the time of the transfer, the taxpayer and his spouse are separated and living apart as a result of the breakdown of their marriage.

However nothing in section 1034.0.2 or in this section shall operate to reduce the taxpayer's liability under any other provision of this Act.

**"1034.0.2** The rules contemplated in section 1034.0.1 are the following:

(a) Where the property is transferred after 15 February 1984, the transferee shall not be liable to pay under section 1034 any amount in respect of any income from, or gain from the disposition of, the property so transferred or property substituted therefor and, for the purposes of subsection 2 of section 1034, the fair market value of the property at the time it was transferred shall be deemed to be nil;

(b) where the property is transferred before 16 February 1984, and where the transferee would, but for this paragraph, be liable to pay an amount under this Act by virtue of section 1034, the transferee's liability in respect of that amount shall be deemed to have been discharged on 16 February 1984."

(2) This section has effect from 16 February 1984.

**182.** (1) Section 1038 of the said Act is amended by replacing paragraph *a* of the second paragraph by the following paragraph:

"(a) his tax payable for the taxation year, computed without reference to sections 776.6 to 776.20; or"

(2) This section applies with respect to an amount deducted under sections 776.6 to 776.20 of the Taxation Act in respect of a qualifying security contemplated in sections 776.6 to 776.20 and acquired after 15 February 1984, except a qualifying security acquired before 1 March 1984 where arrangements, evidenced in writing, for the issue or allotment, as the case may be, of the qualifying security were substantially advanced before 16 February 1984.

**183.** (1) Section 1039 of the said Act is amended by adding the following paragraph:

"For the purposes of section 1038, the amount deducted by an individual in computing his tax payable under this Part for a taxation year under section 776.17 in respect of his scientific research tax credit for the year, within the meaning of paragraph *a* of section 776.6, is deemed to have been paid by the individual on the last day of the year

where he filed, according to the modalities of section 1000, his fiscal return under this Part for the year, or on the day on which he files his fiscal return in other cases.”

(2) This section applies with respect to an amount deducted under sections 776.6 to 776.20 of the Taxation Act in respect of a qualifying security contemplated in sections 776.6 to 776.20 and acquired after 15 February 1984 except a qualifying security acquired before 1 March 1984 where arrangements, evidenced in writing, for the issue or allotment, as the case may be, of the qualifying security were substantially advanced before 16 February 1984.

**184.** (1) Section 1040 of the said Act is replaced by the following section:

“**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 five per cent per annum on any unpaid payment or part of a payment for the period for which interest is payable under section 1038.

The first paragraph does not apply except where, on the date when the taxpayer is required to pay the balance of his estimated income tax for the taxation year or, pursuant to paragraph *b* of subsection 1 of section 1029, the balance of his estimated tax for the fiscal period, the aggregate of all payments or partial payments made by the taxpayer in respect of that year or fiscal period is less than ninety per cent of the payments he was required to make for that year or period pursuant to sections 1025 to 1029, except those provided for in paragraph *b* of either section 1025 or 1026 or in subsection 2 of section 1029.”

(2) This section applies to payments taxpayers are required to make in respect of taxation years or fiscal periods ending after 31 December 1985.

**185.** (1) Section 1049.1 of the said Act, amended by section 153 of chapter 25 of the statutes of 1985, is replaced by the following sections:

“**1049.1** A corporation that, in its final prospectus or an application for exemption from filing a prospectus, states falsely that the issued stocks or shares may be included in a stock savings plan described in section 965.2 is liable to a penalty equal to 20 % of the adjusted cost that would be determined pursuant to section 965.6 if the statement of the corporation were true, of each share or stock of the issue distributed in Québec to an individual other than a trust or to an investment group.

A corporation that, in its final prospectus or an application for exemption from filing a prospectus, states in respect of stocks or shares that may be included in a stock savings plan described in section 965.2 an adjusted cost other than that determined under section 965.6 is liable to a penalty equal to 20 % of the amount by which the adjusted cost so stated in respect of each stock or share of the public issue distributed in Québec to an individual other than a trust or to an investment group exceeds the adjusted cost determined pursuant to section 965.6 in respect of each such stock or share.

“**1049.2** Every corporation described in section 965.11.1 that contravenes section 965.11.2 is liable to a penalty equal to 20 % of the adjusted cost, determined under section 965.6, of each stock of the issue distributed in Québec to an individual other than a trust or to an investment group.

“**1049.3** Every Québec business investment company duly registered within the meaning of the Act respecting Québec business investment companies (1985, chapter 9) whose registration is revoked or becomes null or void under the said Act is liable to a penalty equal to 30 % of the amount of an investment that would be a qualified investment within the meaning of the said Act if the registration were valid, made by the company after the date of revocation or invalidation of the registration.

“**1049.4** Every Québec business investment company duly registered within the meaning of the Act respecting Québec business investment companies (1985, chapter 9) that makes a qualified investment in a year and does not hold the entire investment for at least 24 months after the acquisition of the investment is liable to a penalty equal to 30 % of the total amount of the investment.

“**1049.5** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (1985, chapter 9), that purchases or redeems shares of its capital stock that form part of a qualified investment, during the 60 months following the acquisition of the shares as such, is liable to a penalty equal to 30 % of the total amount of the investment.

“**1049.6** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (1985, chapter 9), is liable to a penalty equal to 30 % of the amount of a qualified investment where it uses, during the 24 months following the date of that qualified investment, the funds from such qualified investment to

(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;

(b) make a loan;

(c) purchase parcels of land with the intention of selling them;

(d) make investments outside Québec not directly related to the operations of the corporation;

(e) purchase or acquire shares of other corporations except with the prior authorization of the Société de développement industriel du Québec;

(f) redeem shares of its capital stock except as provided for in section 1049.5.

**“1049.7** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (1985, chapter 9), that declares or pays a dividend in respect of shares of its capital stock that form part of a qualified investment during the 24 months following the acquisition of the shares as such is liable to a penalty equal to 30 % of the total amount of the investment.

**“1049.8** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (1985, chapter 9), that pays an amount as a management fee, bonus, remuneration, advance or loan to a Québec business investment company during the 60 months following the acquisition of a share that forms part of a qualified investment by that Québec business investment company is liable to a penalty equal to 30 % of the amount so paid but not in excess of 30 % of the total amount of the investment.

**“1049.9** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (1985, chapter 9), that no longer operates primarily in one or more sectors of activity prescribed in the Québec Business Investment Companies Regulation (Order 1627-85, 14 August 1985) during the 24 months following a qualified investment without having obtained the prior authorization of the Société de développement industriel du Québec is liable to a penalty equal to 30 % of the total amount of the investment.

**“1049.10** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (1985, chapter 9), that makes a considerable cash outflow in favour of its shareholders during the 24 months preceding the date of a qualified investment or

during the 24 months following the date of such an investment without having obtained the prior approval of the Société de développement industriel du Québec is liable to a penalty equal to 30 % of the amount involved but not in excess of 30 % of the total amount of the investment.

**“1049.11** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (1985, chapter 9), that deals at non arm’s length with a Québec business investment company during the 24 months following a qualified investment made by the corporation without having obtained the prior authorization of the Société de développement industriel du Québec is liable to a penalty equal to 30 % of the total amount of the investment.

**“1049.12** Every qualified cooperative, within the meaning of the Décret concernant le Régime d’investissement coopératif (Order 1596-85, 7 August 1985) passed under the Act respecting the Ministère de l’Industrie et du Commerce (R.S.Q., chapter M-17), whose equity, within the meaning of the order, during the issue of qualifying securities, is reduced to less than 80 % of its equity on 23 April 1985 by a reduction of its capital stock other than the redemption of common shares that belong to a deceased, disabled or interdicted member is liable to a penalty equal to 50 % of the part of the reduction that reduces the equity to less than 80 % of the equity on 23 April 1985.

**“1049.13** Every qualified cooperative, within the meaning of the Décret concernant le Régime d’investissement coopératif (Order 1596-85, 7 August 1985) passed under the Act respecting the Ministère de l’Industrie et du Commerce (R.S.Q., chapter M-17), that issues qualifying securities without holding a valid qualification certificate as prescribed in the order or whose certificate is revoked and that asserts that such securities are qualifying securities under the cooperative investment plan is liable to a penalty equal to 50 % of the amount of the securities sold while it did not hold a valid qualification certificate or after the date of revocation of the certificate.

**“1049.14** Every qualified cooperative, within the meaning of the Décret concernant le Régime d’investissement coopératif (Order 1596-85, 7 August 1985) passed under the Act respecting the Ministère de l’Industrie et du Commerce (R.S.Q., chapter M-17), that redeems a qualifying security without complying with the requirements of the order is liable to a penalty equal to 50 % of the amount of the qualifying securities so redeemed.”

(2) This section has effect from 24 April 1985 where it replaces section 1049.1 of the Taxation Act; however, it has effect from 1 November 1985 in respect of corporations incorporated under the Act

respecting corporations for the development of Québec business firms (R.S.Q., chapter S-28) as repealed by section 2 of the Act to repeal the Act respecting corporations for the development of Québec business firms (1985, chapter 36), where it replaces the third paragraph of the said section 1049.1.

**186.** Section 1050 of the said Act is 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 1049.14 is on the Minister.”

**187.** (1) Section 1051 of the said Act, amended by section 154 of chapter 25 of the statutes of 1985, is again amended by replacing the second paragraph by the following paragraph:

“The Minister shall make the refund contemplated in the first paragraph if the taxpayer applies for it within the three years following the end of the taxation year concerned or, where paragraph *a.1* of subsection 2 of section 1010 applies, within the six years following the end of the taxation year concerned; in other cases, the Minister may make the refund.”

(2) This section applies in respect of refunds for taxation years subsequent to the taxation year 1982.

**188.** (1) Sections 1060 and 1061 of the said Act, replaced by section 159 of chapter 25 of the statutes of 1985, are again replaced by the following sections:

“**1060.** Section 1057 does not apply to the reassessment contemplated in section 1059 nor to an assessment issued following a waiver contemplated in subparagraph ii of paragraph *b* of subsection 2 of section 1010, unless the waiver was made within the six-year period contemplated in paragraph *a.1* of the said subsection 2 where the said paragraph *a.1* applies or the three-year period contemplated in paragraph *a* of the said subsection 2 in other cases.

“**1061.** A reassessment made by the Minister pursuant to section 1059 is not invalid by reason only of not having been made within the six-year period contemplated in paragraph *a.1* of subsection 2 of section 1010 where the said paragraph *a.1* applies or the three-year period contemplated in paragraph *a* of the said subsection 2 in other cases.”

(2) This section applies from the taxation year 1983.

**189.** (1) Section 1066.1 of the said Act, replaced by section 160 of chapter 25 of the statutes of 1985, is again replaced by the following section:

“**1066.1** No appeal under section 1066 may be instituted in respect of an assessment issued by the Minister following a waiver contemplated in subparagraph ii of paragraph *b* of subsection 2 of section 1010, unless the waiver was made within the six-year period contemplated in paragraph *a.1* of the said subsection 2 where the said paragraph *a.1* applies or the three-year period contemplated in paragraph *a* of the said subsection 2 in other cases.”

(2) This section applies from the taxation year 1983.

**190.** (1) Section 1069 of the said Act is amended

(1) by replacing paragraph *a* of the first paragraph by the following paragraphs:

“(a) refusing registration of a charitable organization, private foundation, public foundation or amateur athletic association, or giving notice that he proposes to revoke such registration;

“(a.1) designating or refusing to designate a registered charity pursuant to section 985.4.1 or 985.4.3;”;

(2) by adding the following paragraph:

“For the purposes of the first paragraph, the expressions “charitable organization”, “private foundation” and “public foundation” have the meaning assigned to them by section 985.1.”

(2) This section applies to an application or designation made after 15 February 1984.

**191.** (1) Section 1070 of the said Act is replaced by the following section:

“**1070.** The Minister is deemed, for the purposes of section 1069, to have refused an application for registration or an application for designation made under section 985.4.3, if he has not given effect to it within 180 days of the mailing of the application.”

(2) This section applies to an application made after 15 February 1984.

**192.** (1) Section 1082 of the said Act is repealed.

(2) This section has effect from 16 February 1984.

**193.** (1) The said Act is amended by inserting, after section 1091, the following section:

“**1091.1** For the purposes of sections 1089 to 1091, no income, losses, capital gains, capital losses or deductions prescribed by regulation may be taken into account.”

(2) This section applies from 1 January 1986.

**194.** (1) Section 1092 of the said Act is amended, in paragraph *b*,

(1) by striking out the word “and” at the end of subparagraph ii;

(2) by inserting, after subparagraph iii, the following subparagraph:

“iv. of amounts which, under section 313.2 or 313.3, would be included in computing his income for the year if he had been resident in Québec throughout the year; and”.

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

**195.** (1) Section 1098 of the said Act is replaced by the following section:

“**1098.** The Minister shall issue without delay to the person contemplated in section 1097 and to the proposed purchaser upon receipt of the notice provided for in the said section and upon payment, on account of tax payable by such person, of an amount equal to 15 per cent of the excess of the amount mentioned in subparagraph *c* of the first paragraph of section 1097 over that mentioned in subparagraph *d* of the said paragraph or upon receipt of a surety which the Minister considers appropriate, a certificate in prescribed form fixing the amount which such person proposes to receive from the disposition in accordance with subparagraph *c* of the said paragraph.”

(2) This section has effect from 14 December 1984.

**196.** (1) Section 1099 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Such notice must contain the information mentioned in subparagraphs *a* and *b* of the first paragraph of section 1097 and indicate the actual proceeds of disposition of the property and the amount of its adjusted cost base immediately before the disposition.”

(2) This section has effect from 14 December 1984.

**197.** (1) Section 1102 of the said Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) subparagraph *c* of the first paragraph of section 1097 must be read as a reference to “the amount he considers to be the fair market value of the property at the time he proposes to dispose of it”;

(2) This section has effect from 14 December 1984.

**198.** (1) Section 1130 of the said Act is amended

(1) by inserting, after the definition of the word “bank”, the following definition:

““international financial business” means an international financial business within the meaning assigned by section 1;”;

(2) by inserting, after the definition of the word “corporation”, the following definition:

““farming corporation” means a corporation whose main source of net income is farming within the meaning assigned by section 1;”.

(2) Paragraph 1 of subsection 1 has effect from 1 January 1986 and paragraph 2 of subsection 1 has effect from 24 April 1985.

**199.** (1) Section 1135 of the said Act is replaced by the following section:

**1135.** In no case can the tax payable by a corporation other than a farming corporation, a corporation that operates only an international financial business or a corporation exempt pursuant to sections 1143 and 1144 be less than \$100 nor can the tax payable by a farming corporation be less than \$50.”

(2) This section applies to taxation years ending after 23 April 1985; however, where section 1135 of the Taxation Act refers to a corporation that operates only an international financial business, it applies from 1 January 1986.

**200.** (1) Section 1136 of the said Act is amended by inserting, after paragraph *b* of subsection 1, the following paragraph:

“(b.1) any other amount prescribed in respect of an international financial business;”.

(2) This section applies from 1 January 1986.

**201.** (1) Section 1137 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the amount of its deficit that is not attributable to the operations of an international financial business;”.

(2) This section applies from 1 January 1986.

**202.** (1) Section 1138 of the said Act is amended by adding the following subsection:

“(5) For the purposes of this section, the assets and investments of a taxpayer do not include those prescribed in respect of an international financial business.”

(2) This section applies from 1 January 1986.

**203.** (1) The said Act is amended by inserting, after section 1138, the following section:

“**1138.1** In computing its paid-up capital, every farming corporation may deduct, after the application of section 1138, an amount equal to \$300 000.”

(2) This section applies to taxation years ending after 23 April 1985; however, where a taxation year includes 23 April 1985, section 1138.1 of the Taxation Act must be read as follows:

“**1138.1** In computing its paid-up capital, every farming corporation may deduct, after the application of section 1138, an amount equal to that proportion of \$300 000 that the number of days of a taxation year after 23 April 1985, not over 365, is of 365.”

**204.** (1) Section 1141.2 of the said Act is replaced by the following sections:

“**1141.1.1** A corporation referred to in section 1140, 1141 or 1141.1 shall also, in computing its paid-up capital, include any amount prescribed in respect of an international financial business.

“**1141.2** A corporation referred to in section 1140, 1141 or 1141.1 may, in computing its paid-up capital, deduct the amount of its deficit that is not attributable to the operations of an international financial business and any other amount prescribed.”

(2) This section applies from 1 January 1986.

**205.** (1) Section 1160 of the said Act is amended by replacing subsection 1 by the following subsection:

**“1160.** (1) Every corporation which, at any time in a taxation year, refines petroleum in Québec or allows its installations to be used for that purpose must 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 1138.1 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”, situated in Québec and which it owns at the end of the year is of the amount of its assets referred to in subsections 3 and 4 of section 1138.

The same applies to every corporation that is not contemplated in the first paragraph and that, in a taxation year, has an establishment in Québec where it sells petroleum or a fuel mentioned in section 4 of the Fuel Tax Act (R.S.Q., chapter T-1) if, during the year, it refines petroleum outside Québec or allows its installations outside Québec to be used for that purpose or is related to a corporation that refines petroleum or allows its installations to be used for that purpose.”

(2) This section applies to taxation years of a corporation beginning after 23 April 1985.

**206.** (1) Section 1163 of the said Act is replaced by the following section:

**“1163.** A corporation constituted under the Act respecting corporations for the development of Québec business firms (R.S.Q., chapter S-28), as repealed by section 2 of the Act to repeal the Act respecting corporations for the development of Québec business firms (1985, chapter 36), the registration certificate of which is cancelled or becomes null before 24 April 1985 by virtue of the said Act or which, before that date, fully or partly repays or cancels a share of its capital stock shall, within thirty days of that cancellation, nullity or repayment, pay the Minister of Revenue a tax equal:

(a) in the case of cancellation or nullity of its registration certificate, to the lesser amount, for each share then issued of its capital stock, of twenty-five dollars and twenty-five per cent of the amount initially paid to the corporation upon the issue of the share;

(b) in the case of full or partial repayment of a share, to the lesser amount, for each share thus repaid of its capital stock, of twenty-five dollars and twenty-five per cent of the amount repaid or of the amount initially paid to the corporation upon the issue of the share; and

(c) in the case of cancellation of a share, to the lesser amount, for each share so cancelled of its capital stock, of twenty-five dollars and twenty-five per cent of the amount initially paid to the corporation upon the issue of the share.”

(2) This section has effect from 24 April 1985.

**207.** (1) Section 1165 of the said Act is replaced by the following section:

“**1165.** Except where inconsistent with this Part, sections 1000 to 1029, 1030 to 1082, 1130, 1134 and 1144 apply, adapted as required, to this Part.”

(2) This section applies to taxation years ending after 10 March 1981.

**208.** (1) Sections 1187 to 1225 of the said Act are repealed.

(2) This section applies in respect of gifts made after 23 April 1985.

**209.** (1) Section 16 of the Act respecting the application of the Taxation Act (R.S.Q., chapter I-4) is replaced by the following section:

“**16.** Section 15 does not apply when either section 440, 444 or 454 of the Taxation Act applies in respect of the disposition, by a taxpayer, of depreciable property of a prescribed class to a transferee who is the spouse or trust referred to in section 440, a child referred to in section 444 or the transferee referred to in section 454, as the case may be. However, when the transferee subsequently disposes of such property, section 15 applies as if the transferee had acquired it before 1 January 1972 and had owned it without interruption from 31 December 1971 until the time of the subsequent disposition.”

(2) This section applies in respect of a disposition of property occurring after 31 December 1983.

**210.** (1) Section 61 of the said Act is replaced by the following section:

“**61.** In the case provided for in section 444 or 459 of the Taxation Act in respect of the child of a taxpayer, subparagraph *a* of the first

paragraph or subparagraph *b* of the second paragraph of that section 444 or, as the case may be, paragraph *b* of section 462 of the said Act, does not apply to computing the cost, for the child, of land described in the said section 444 or 459, respectively, if such land belonged to the taxpayer on 31 December 1971 and thereafter without interruption until his death or, as the case may be, until the transfer; in such case, section 69 applies to the transfer or assignment of such land to the child as if the date of 18 June 1971, mentioned therein, was replaced by that of 31 December 1971.

For the purposes of this section, the expression “child” of a taxpayer includes a grandchild or a great grandchild of the taxpayer and a person who, at some time before he attained the age of 21 years, was wholly dependent on the taxpayer for support and of whom the taxpayer had, at that time, custody and control in law or in fact.”

(2) This section applies in respect of a transfer or assignment of property occurring after 31 December 1983.

**211.** (1) Section 14 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended

(1) by replacing the first and second paragraphs by the following paragraphs:

“**14.** Before distributing the property under his control, every assignee, liquidator, administrator, testamentary executor or any other person who winds-up, administers or controls the property, business, succession or income of another person, with the exception of a trustee in bankruptcy, shall give the Minister written notice, by registered or certified letter, of his intention to make such distribution; in the case of a succession, the notice shall be given by means of the prescribed form and include the documents referred to in section 14.1.

On receiving the notice, the Minister may require that the person mentioned in the first paragraph file any document prescribed by regulation, the return referred to in section 1002 of the Taxation Act (R.S.Q., chapter I-3) and any return or report that the person was required to send under any fiscal law; the Minister shall then, in writing, advise of the amount of the duties, interest and penalties exigible from the other person or which will become so within the twelve ensuing months under any fiscal law.”;

(2) by repealing the eight paragraph.

(2) This section applies in respect of successions opened after 31 December 1985.

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

**“14.1** Every testamentary executor or every person who winds-up, administers or controls the succession of a person shall, within six months after the person’s death, make a report certifying the opening of any container leased by the deceased or by his spouse from any person ordinarily engaged in the leasing of safes, safe-deposit boxes or other containers and listing in detail the contents of the container.

The report contemplated in the first paragraph must be made in the presence of the lessor or his representative, certified by the person who makes it and countersigned by the lessor or, where such is the case, his representative present at the time of the making of the report; the report may be replaced by an inventory prepared in conformity with sections 914 and following of the Code of Civil Procedure (R.S.Q., chapter C-25).

A copy of the report showing that the formalities have been carried out or, where such is the case, an authentic copy of the inventory shall be kept by the lessor and, subject to section 14.3, a copy shall be sent without delay to the Minister by the person who made the report.

**“14.2** The lessor of a container referred to in section 14.1 shall not allow it to be opened or moved for a purpose other than that provided for in section 14.1 unless the formalities prescribed in that section have been complied with.

Subject to section 14.3, the lessor shall not allow a person to enter into possession of property or of a document that is in the container before he receives the written authorization of the Minister or before the certificate required under section 14 is issued.

**“14.3** Every testamentary executor or every person who winds-up, administers or controls the succession of a person may, without an authorization or a certificate, enter into possession of an insurance policy, a title of ownership of an immovable, a will, a codicil, a marriage contract or any other property or document found in a container contemplated in section 14.1 that is not negotiable or not convertible into cash.

If there is nothing in the container except property or documents referred to in the first paragraph, the person who made the inventory or report, as the case may be, is not required to send a copy to the Minister.”

(2) This section applies in respect of successions opened after 31 December 1985.

**213.** (1) Section 59.2 of the said Act is amended by adding the following paragraph:

“Notwithstanding the first paragraph, every person who contravenes section 20.15 of the Retail Sales Tax Act (R.S.Q., chapter I-1) incurs a penalty equal to twice the amount of the tax.”

(2) This section has effect from 24 April 1985.

**214.** (1) Section 61 of the said Act is replaced by the following section:

“**61.** Every person who does not comply with or contravenes section 14.1, 14.2 or 20, subsection 1 or 2 of section 34, sections 35 to 39 or section 43, section 42.2 or 1015 of the Taxation Act (R.S.Q., chapter I-3) or sections 59 and 63 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9), is guilty of an offence and, in addition to any other penalty provided by this Act, is liable to a fine of not less than \$200 nor more than \$10 000, or both the fine and imprisonment for not over six months.”

(2) This section applies from 1 January 1986.

**215.** (1) Section 1 of the Act respecting the payment of allowances to certain self-employed workers (R.S.Q., chapter P-1) is amended by replacing paragraph *c* by the following paragraph:

“(c) “income” of a person means the income established under Part I of the Taxation Act (R.S.Q., chapter I-3) for a year, without taking account of the deductions permitted by Book IV plus, in the case of an individual referred to in paragraph *a* of section 695 or in section 695.1 of the said Act or in respect of whom the person makes a deduction for that year pursuant to paragraph *d* of section 695 of the Taxation Act, the income of the individual for such same year;”.

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

**216.** (1) Section 2 of the said Act is amended by replacing what precedes paragraph *a* of subsection 1 by the following:

“**2.** (1) The Government may pay to every self-employed worker who, during a year, is an individual contemplated by paragraph *a*, *d* or *g* of section 695 or section 695.1 of the Taxation Act (R.S.Q., chapter

I-3) and whose income for such year is less than \$6 400, a sum equal to the lesser of the following amounts:".

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

**217.** Section 33 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5), amended by section 177 of chapter 25 of the statutes of 1985, is again amended by replacing the definition of the word "wages" by the following definition:

"“wages” means the income computed in accordance with Chapters I and II of Title II of Book III of Part I of the Taxation Act, including any present or future amendment, except section 58.1 of the said Act where it refers to an amount that shall be included in computing income under sections 979.9 to 979.11 of the said Act and excluding prescribed remuneration.”

**218.** (1) Section 2 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1) is amended by replacing paragraph *b* by the following paragraph:

"(b) he has no spouse and lives in a dwelling in which he supports another person with whom he lives and in whose respect he deducts, for the year, in accordance with sections 695 to 701 of the Taxation Act (R.S.Q., chapter I-3), an amount prescribed in paragraph *d* of section 695 or in section 695.1 of the said Act, and of which he himself or that other person is the owner, lessee or sub-lessee; or”.

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

**219.** (1) Sections 7 to 9 of the said Act are replaced by the following sections:

**“7.** The amount of the real estate tax refund to which a person contemplated in section 2 is entitled for a year, in respect of the dwelling in which he lives on 31 December of the year, is equal to an amount equal to 40 per cent of the real estate tax ascribed to the dwelling for the same year, less 2 per cent of the amount by which his total income for that year exceeds the amount established under section 10.1.

**“8.** In computing the real estate tax refund to which a person is entitled for a year, the real estate tax for the year ascribed to the dwelling in which he lives on 31 December of the year cannot exceed \$870 for the year 1985, \$900 for the year 1986, \$925 for the year 1987 or \$960 for the year 1988.

**“9.** The amount determined under section 7 is increased by \$85 where the person contemplated in that section is at least 60 years of age on 31 December of the year and receives on that date a supplement or a spouse’s allowance in accordance with the Old Age Security Act (Statutes of Canada).

The amount is increased by \$170 if the spouse of the person contemplated in the first paragraph receives on the same date a supplement or a spouse’s allowance in accordance with the Old Age Security Act.

The amount so increased becomes the amount of the real estate tax refund to which the person contemplated in the first paragraph is entitled.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1985 and for subsequent years.

**220.** (1) Section 10 of the said Act is replaced

(1) in respect of the computation of real estate tax refunds for the year 1985 by the following sections:

**“10.** The total income used in computing the real estate tax refund is the aggregate of

(a) income from an office or employment, computed in accordance with Part I of the Taxation Act but without reference to section 58.1 of the said Act and before any deduction provided for in that Part except those that would be provided for in section 60 if paragraph *a* of that section were read without taking into account the words “except any deduction allowed under section 79.1” and except deductions provided for in sections 62 and 63, section 64 where it refers to a deduction other than the part of the capital cost of an aircraft allowed by regulation, sections 64.1 to 68, paragraphs *a* and *b* of section 70 and sections 77 to 78.1;

(b) income from a business or property, computed in accordance with Part I of the Taxation Act but without reference to paragraph *v* of section 87 or to section 94 of the said Act and before any deduction under section 130 or 130.1, paragraph *j* of section 157 or section 154.1, 157.4 or 157.4.1 of the said Act, less the losses, so computed, from a business or property;

(c) any other amount included in computing income in accordance with Part I of the Taxation Act, but without reference to section 310 of the said Act where it refers to section 965.20 and paragraph *j* of

section 311 of the said Act and before any deduction provided for in that Part other than deductions respecting allowable capital losses and those provided for in paragraphs *a* to *b.1* and *d* to *g* of section 336, section 337, paragraphs *a* and *d* to *f* of section 339 and section 353;

(*d*) any other amount received that is excluded in computing income under paragraphs *a* and *b* of section 489, sections 491 and 494 to 496 of the Taxation Act and the regulations made under section 488 of that Act, except a work income supplement received under the Act respecting work income supplement (R.S.Q., chapter S-37.1) and an amount received under the program of subsidies for children in day care centres established pursuant to the Act respecting health services and social services (R.S.Q., chapter S-5) or by the Act respecting child day care (R.S.Q., chapter S-4.1); and

(*e*) any other amount received as a lost-wages insurance benefit or as an income insurance benefit or as a replacement for wages or income.

“**10.1** The amount contemplated in section 7 for a year is equal to the aggregate of \$5 380 plus,

(*a*) in the case of a person contemplated in subparagraph *a* of the first paragraph of section 2, \$3 960 and the aggregate of the amounts that the person and, where such is the case, his spouse deduct for the year under paragraphs *c* to *f* and *h* of section 695 of the Taxation Act;

(*b*) in the case of a person contemplated in subparagraph *b* of the first paragraph of section 2, \$3 960 and the aggregate of the amounts that the person deducts for the year under paragraphs *c* to *f* and *h* of section 695 of the Taxation Act; or

(*c*) in the case of a person contemplated in subparagraph *c* of the first paragraph of section 2, the aggregate of the amounts he deducts for the year under paragraphs *c* to *f* and *h* of section 695 of the Taxation Act.”;

(2) in respect of the computation of real estate tax refunds for the year 1986 and for subsequent years, by the following sections:

“**10.** The total income used in computing the real estate tax refund is the aggregate referred to in paragraph *d* of section 776.21 of the Taxation Act.

In the case of subparagraph *a* of the first paragraph of section 2, except with regard to the application of the second paragraph of

section 4, the total income of a person who claims a real estate tax refund must include the total income of his spouse.

**“10.1** The amount referred to in section 7 for a year is the aggregate of the amounts that the person contemplated in that section or, where such is the case, his spouse may deduct for that year in accordance with sections 695 to 701 of the Taxation Act, except the amount deductible under paragraph *g* of section 695 of the said Act.”

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

“(a) within three years from the day of mailing of the notice provided for in section 18, or”.

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

**222.** (1) Section 27 of the said Act is replaced by the following section:

**“27.** A redetermination of real estate tax refund made by the Minister pursuant to section 25 is not invalid by reason only of not having been made within three years from the day of mailing of an original notice given under section 18.”

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

**223.** (1) Section 6 of the Act respecting work income supplement (R.S.Q., chapter S-37.1) is amended by replacing the second paragraph by the following paragraph:

“That work income is the aggregate of the income contemplated in subparagraphs i and ii of paragraph *d* of section 776.21 of the Taxation Act.”

(2) This section applies in respect of the computation of the work income supplement for calendar years subsequent to 1984; however, for the calendar year 1985, the second paragraph of section 6 of the Act respecting work income supplement shall be read as follows:

“That work income is the aggregate of

(a) income from an office or employment, computed in accordance with Part I of the Taxation Act (R.S.Q., chapter I-3) but without reference to section 58.1 of the said Act and before any deduction provided for in that Part except those that would be provided for in section 60 if paragraph *a* of that section were read without reference

to the words "except any deduction allowed under section 79.1" and except deductions provided for in sections 62 and 63, section 64 where it refers to a deduction other than the part of the capital cost of an aircraft allowed by regulation, sections 64.1 to 68, paragraphs *a* and *b* of section 70 and sections 77 to 78.1; and

(*b*) income from a business or property, computed in accordance with Part I of the Taxation Act but without reference to paragraph *v* of section 87 and to section 94 of the said Act and before any deduction under sections 130, 130.1, paragraph *j* of section 157 and sections 154.1, 157.4 and 157.4.1 of the said Act, less the losses, so computed, from a business or property."

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

"That total income is the aggregate of

(*a*) work income;

(*b*) all amounts contemplated in subparagraphs *iii* to *v* of paragraph *d* of section 776.21 of the Taxation Act."

(2) This section applies in respect of the computation of the work income supplement for a calendar year subsequent to 1984; however, for the calendar year 1985, the second paragraph of section 7 of the Act respecting work income supplement shall be read as follows:

"That total income is the aggregate of

(*a*) work income;

(*b*) any other amount included in computing income in accordance with Part I of the Taxation Act, but without reference to section 310 of the said Act where it refers to section 965.20 and paragraph *j* of section 311 of the said Act and before any deduction provided for by that Part other than deductions respecting allowable capital losses and those provided for by paragraphs *a* to *b.1* and *d* to *g* of section 336, section 337, paragraphs *a* and *d* to *f* of section 339 and section 353;

(*c*) any other amount received that is excluded in computing income under paragraphs *a* and *b* of section 489, sections 491 and 494 to 496 of the Taxation Act and the regulations made under section 488 of that Act, except a work income supplement received under the Act respecting work income supplement (R.S.Q., chapter S-37.1) and an amount received under the program of subsidies for children in day care centres established pursuant to the Act respecting health services

and social services (R.S.Q., chapter S-5) or by the Act respecting child day care (R.S.Q., chapter S-4.1); and

(d) any other amount received as a lost-wages insurance benefit or as an income insurance benefit or as a replacement for wages or income.”

**225.** (1) Section 16 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) within three years from the day of mailing of the notice provided for in section 12, or”.

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

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

“**22.** A redetermination of a work income supplement made by the Minister pursuant to section 20 is not invalid by reason only of not having been made within three years from the day of mailing of an original notice given under section 12.”

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

**227.** The Act respecting Québec business investment companies (1985, chapter 9) is amended by replacing section 5 by the following section:

“**5.** For the purposes of this Act, a common share with full voting rights is a common share within the meaning of section 1 of the Taxation Act (R.S.Q., chapter I-3) to which are attached a number of voting rights in the issuing corporation, in all circumstances and regardless of the number of shares held, which is not less than the number attached to any other share of the share capital of the corporation, and is issued in such circumstances that the holder cannot avoid exercising a real influence over the management of the corporation, from the fact that its issuance is preceded or may be followed by the issuance of shares carrying voting rights at considerably less cost per voting right.”

**228.** The second paragraph of section 12 of the said Act is amended

(1) by replacing what precedes subparagraph 1 by the following:

“A corporation shall, to be qualified, meet the following conditions at the time of its acquisition:”;

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

“(2) have assets of less than \$25 000 000 or a net shareholders’ equity not in excess of \$10 000 000;”;

(3) by replacing subparagraph 5 by the following subparagraph:

“(5) operate mainly in one of the sectors of activity determined by regulation of the Government;”.

**229.** Section 16 of the said Act is amended by replacing subparagraphs 1 and 2 of the first paragraph by the following subparagraphs:

“(1) determine the required qualifications for any company applying to be registered, the conditions it or any other corporation shall fulfil and the information they shall furnish;

“(2) determine the form of the reports that a company or any corporation shall furnish, the information required to be contained in the reports and the period at which they shall be filed;”.

**230.** Section 7 of the Act to amend the Taxation Act and other fiscal legislation (1985, chapter 25) is amended

(1) by replacing the first two lines by the following:

“**7.** (1) Sections 13 to 16 of the said Act are replaced by the following sections:”;

(2) by adding the following subsection:

“(2) This section, where it enacts section 14.1 of the Retail Sales Tax Act, has effect from 24 April 1985.”

**231.** This Act shall operate notwithstanding the provisions of sections 2 and 7 to 15 of the Constitution Act, 1982 (Schedule B of the Canada Act, chapter 11 in the 1982 volume of the Acts of the Parliament of the United Kingdom).

**232.** This Act comes into force on (*insert here the date of assent to this Act*).