



---

# NATIONAL ASSEMBLY

---

FIRST SESSION

THIRTY-THIRD LEGISLATURE

Bill 120

## **An Act to amend various fiscal legislation**

---

### **Introduction**

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



---

**Québec Official Publisher  
1986**

## EXPLANATORY NOTES

*This bill amends various fiscal laws as a follow-up to the Budget Speech delivered by the Minister of Finance on 1 May 1986 and his Statement of 29 May 1986. It also gives effect to measures announced in the Government Budgetary and Financial Policy Statement of 18 December 1985.*

*Firstly, this bill amends the Retail Sales Tax Act in order, in particular, to make sales of fuel, including heating oil and natural gas, subject to sales tax, and to exempt sales of fuel used in the production of movable property intended for sale, insurance premiums of 25 cents or less and certain aircraft insurance premiums.*

*Secondly, it amends the Tobacco Tax Act to replace the "ad valorem" tax of 60% on cigarettes and certain processed tobaccos by a specific tax.*

*Thirdly, it amends the Taxation Act to introduce most of the Québec fiscal measures arising from the Budget Speech on 1 May 1986 and certain others announced in the Government Budgetary and Financial Policy Statement of 18 December 1985.*

*The measures relate to the following points:*

- (1) a technical amendment respecting the taxation of government corporations;*
- (2) the limit on the deduction for interest and dividends and on that for retirement income;*
- (3) the exemption from income tax and tax on capital for the first three taxation years of new corporations;*
- (4) the surtax of 7.25% on the income tax and tax on capital of corporations;*

*(5) the increase of the consumer tax credit for the taxation years 1987 and 1988;*

*(6) the revision of the rules on Québec Business Investment Companies (SPEQ), particularly to take account of the creation of stock ownership plans and to place limits on the amounts deductible by the shareholders of such companies;*

*(7) the revision of the rules on stock savings plans (QSSP), particularly to provide for the creation of stock ownership plans and to specify the conditions governing the issue of shares, the method of computing the value of the property held by an eligible corporation, the number of employees of an eligible corporation and the rules pertaining to investment corporations;*

*(8) the revision of the rules on Cooperative Investment Plans (CIP);*

*(9) technical amendments respecting international financial centres;*

*(10) the reduction of the tax on capital for corporations whose activities mainly consist in carrying on a fishing business;*

*(11) the rules on associated corporations regarding the deduction, in computing their paid-up capital, allowed to agricultural corporations and to those whose activities consist mainly in carrying on a fishing business.*

*In addition, the bill makes technical amendments designed to correct certain existing provisions of the Taxation Act which do not precisely reflect the statements of fiscal policy they were intended to implement.*

*Fourthly, it amends the Québec Health Insurance Act to impose a surtax of 7.25% on employer contributions to the health services fund.*

*Fifthly, it amends the Act respecting real estate tax refund to increase, by \$15 for an eligible spouse, the additional amount provided for persons on low incomes aged 60 years or more and to make a number of technical amendments.*

*Lastly, it amends the Fuel Tax Act, in order to*

*(1) replace the 30% "ad valorem" tax on fuel by a specific tax per litre;*

*(2) raise the tax rate on aircraft and railway locomotive fuel to 9%;*

*(3) provide for a reduction in the tax on fuel sold in specified regions and regions adjacent to them.*

**ACTS AMENDED BY THIS BILL:**

- (1) the Retail Sales Tax Act (R.S.Q., chapter I-1);
  - (2) the Tobacco Tax Act (R.S.Q., chapter I-2);
  - (3) the Taxation Act (R.S.Q., chapter I-3);
  - (4) the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5);
  - (5) the Act respecting real estate tax refund (R.S.Q., chapter R-20.1);
  - (6) the Fuel Tax Act (R.S.Q., chapter T-1).
-

# Bill 120

## An Act to amend various fiscal legislation

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

**1.** (1) Section 17 of the Retail Sales Tax Act (R.S.Q., chapter I-1), amended by section 21 of chapter 15 of the statutes of 1986 and by section 1 of chapter (*insert here the chapter number of Bill 78*) of the statutes of 1986, is again amended

(1) by striking out paragraph *f*;

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

“(w) Sales of firewood or ice;”;

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

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

(4) by striking out paragraph *ai*;

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

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

“(ak) Sales of fuel to supply a propulsion engine within the meaning of the Fuel Tax Act (R.S.Q., chapter T-1);

“(al) Sales of fuel which immediately before use is contained in a fuel tank which directly supplies both a propulsion engine and a stationary engine within the meaning of the Fuel Tax Act.”

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

**2.** (1) Section 19 of the said Act is replaced by the following section:

“**19.** For the purposes of paragraph *aa* of section 17, every person contemplated in the said paragraph must establish to the satisfaction of the Minister the value of electricity, gas or fuel subject to the exemption provided for in the said paragraph.”

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

**3.** (1) The said Act is amended by inserting, after section 20, the following section:

“**20.0.1** For the purposes of taxation, from 2 May 1986, of sales of natural gas invoiced for a consumption period which includes 1 May 1986, the tax under this chapter shall be calculated proportionately to the ratio between the number of days after the latter date and the total number of days covered by the invoice.”

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

**4.** (1) Section 20.25 of the said Act, enacted by section 23 of chapter 15 of the statutes of 1986 and amended by section 5 of chapter (*insert here the chapter number of Bill 78*) of the statutes of 1986, is again amended

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

“(f) a premium payable under a contract of marine insurance or of reinsurance;”;

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

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

“(n) a premium payable in respect of an aircraft used in the operation of a commercial air service under a licence issued for that purpose under the Aeronautics Act (Statutes of Canada);

“(o) a premium of twenty-five cents or less payable in a single payment, or in several payments if the yearly total does not exceed that amount.”

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

**5.** (1) Section 8' of the Tobacco Tax Act (R.S.Q., chapter I-2), replaced by section 28 of chapter 15 of the statutes of 1986, is again 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

- (a) \$0.0452 per cigarette;
- (b) \$0.02 per gram for any tobacco other than cigarettes or cigars;
- (c) 60% of the retail price of each cigar.

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

(2) This section, where it replaces the first paragraph of section 8 of the Tobacco Tax Act, has effect from 2 May 1986 and, where it enacts the second paragraph of that section, it applies to retail sales of tobacco other than cigars and cigarettes after 29 May 1986.

**6.** (1) Sections 9.2 to 9.4 of the said Act, replaced by section 29 of chapter 15 of the statutes of 1986, and section 9.5 of the said Act are repealed.

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

**7.** (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 31 of chapter 15 of the statutes of 1986, is again amended by replacing the expression “paid-up capital” by the following definition:

““paid-up capital” has the meaning assigned by paragraph *a* of section 570, except for the purposes of Title VI.2 of Book VII;”.

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

**8.** (1) Section 1.3 of the said Act is replaced by the following section:

**“1.3** For the purposes of this Part, except Title VI.1 of Book VII, where a corporation issues shares of a class of its capital stock in series, a reference to the class shall be read, with such modifications as are required, as a reference to a series of the class.”

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

**9.** (1) Section 25 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Such tax is equal to the proportion of the tax that the individual would pay under sections 750 to 752 and 758 to 767 on his taxable income as it would be determined under section 24 if he were resident in Québec, that his income earned in Québec is of the excess of what his income would have been if he had resided in Québec on the last day of the taxation year over the amount he deducted under section 737.16 in computing such taxable income. However, such tax must not exceed the amount that the individual would pay if he were resident in Québec.”

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

**10.** (1) Section 27 of the said Act is replaced by the following section:

**“27.** Any corporation not contemplated in section 22 and not resident in Canada that disposes in a taxation year of taxable Québec property shall pay a tax at the rate established in subsection 1 of section 771 and in section 771.0.1 on the amounts described in paragraphs *d*, *e*, *f* and *h* of section 1089 that are applicable thereto and on the amount by which the aggregate of its taxable capital gains exceeds the aggregate of its allowable capital losses from the disposition of such property.

Where a corporation contemplated in section 22 has an establishment outside Québec, its tax payable is equal to the proportion of the tax established under subsection 1 of section 771 and section 771.0.1 that the business it carries on in Québec is of the entire business it carries on in Québec and elsewhere, as determined under subsection 2 of section 771.”

(2) This section applies to a taxation year ending after 1 May 1986.

**11.** (1) Section 47.6 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“47.6** For the purposes of this division, “employee benefit plan” means an arrangement under which contributions are made by an



employer or a person with whom he does not deal at arm's length to another person, referred to in sections 135.1 and 209.1 to 209.4 as the "custodian", and under which one or more amounts, other than an amount that, if this chapter were read without reference to the third paragraph of section 38 and to section 47.1, would not be required to be included in computing the income of the recipient, are to be paid to or for the benefit of employees or former employees of the employer or persons who do not deal at arm's length with any such employee or former employee."

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

**12.** (1) Section 102 of the said Act is replaced by the following section:

**"102.** For the purposes of this division, every deduction as amortization made under section 64, section 12 of the Corporation Tax Act (Revised Statutes, 1964, chapter 67) or section 13 of the Provincial Income Tax Act (Revised Statutes, 1964, chapter 69) is deemed made in accordance with the regulations made under paragraph *a* of section 130."

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

**13.** (1) Section 157 of the said Act, amended by section 50 of chapter 15 of the statutes of 1986 and section 27 of chapter 19 of the statutes of 1986, is again amended by replacing paragraph 1.1 by the following paragraph:

**"(1.1)** such part of any amount paid in the year by the taxpayer on an amount payable by him by virtue of section 32 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) where that section applies to an excess in relation to this Part, or of a prescribed disposition and as may reasonably be considered to be a repayment of interest that he included in computing his income for the year or a preceding taxation year, and, where the taxpayer is an individual other than a trust that is not a testamentary trust, to such extent as that part does not exceed the amount by which the excess determined under section 702 for the year in which the interest was included in computing his income exceeds the deduction provided for in the said section 702;"

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

**14.** (1) Section 192 of the said Act is amended by replacing the first and second paragraphs by the following paragraphs:

**“192.** This Part applies, to the exclusion of section 985, to a Crown corporation of Québec or Canada, unless otherwise provided by the regulations.

Any income or loss from a business carried on by a corporation as an agent of Her Majesty by a prescribed corporation within the meaning of the third paragraph, or from a property of Her Majesty administered by such a corporation shall be treated, for the purposes of this Part, as though it were an income or loss of the corporation from that business or property.”

(2) This section is declaratory except for cases pending before the courts on 1 May 1986.

**15.** (1) Section 669 of the said Act is replaced by the following section:

**“669.** The amount of the deduction which would be determined under section 702 in respect of a trust for a taxation year if that section applied to the trust and no account were taken of the limit provided for in that section nor of the mention of the grossed-up dividends is deemed to be interest for the year in the hands of a particular beneficiary and not of the trust to the extent that such amount, having regard to the circumstances and the terms and conditions of the trust arrangement, may reasonably be considered to be part of the amount included, by virtue of sections 659 or 661 to 663, in computing the income of the particular beneficiary for the taxation year, and subsection 2 of section 668 applies, *mutatis mutandis*, to such presumption.”

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

**16.** (1) Section 695 of the said Act, replaced by section 100 of chapter 15 of the statutes of 1986, is amended

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

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

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

“(d) the amount contemplated in section 695.2 for a person described in paragraph *c*, if the individual is not entitled to the deduction contemplated in paragraph *a* and ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by him and in which 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;”;

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

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

(4) by striking out, at the end of subparagraph *ii* of paragraph *i*, the word “and”;

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

“*iii.* if he is not entitled to the deduction contemplated in paragraph *a*, and

“*iv.* if he meets the prescribed requirements.”

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

**17.** (1) Section 696 of the said Act, replaced by section 100 of chapter 15 of the statutes of 1986, is again replaced by the following section:

“**696.** The aggregate of the deductions allowed by paragraphs *a* to *f* of section 695 and by section 695.1 in respect of one person must be reduced by the amount of the person’s income for the year.”

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

**18.** (1) Section 700 of the said Act, replaced by section 100 of chapter 15 of the statutes of 1986, is again replaced by the following section:

“**700.** For the purposes of this title, 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 is deemed not to be his spouse from the time the individual makes such a payment and such child is deemed not to be his child during any period for which the individual makes such a payment.”

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

**19.** (1) Section 702 of the said Act is replaced by the following sections:

**“702.** An individual other than a trust that is not a testamentary trust, within the meaning of section 677, may deduct, up to the amount determined in his respect for the year under section 702.1, the amount by which the aggregate of the interest included in computing his income and his grossed-up dividends exceeds, for the year, the aggregate of each amount deducted as interest in such computation.

**“702.1** For the purposes of section 702, the amount determined in respect of an individual for a year is equal,

(a) if he has attained the age of 65 years before the end of the year, to \$1 000 less the lesser of \$500 and one-half of the amount by which the aggregate, for the year, of his income from an office or employment computed under sections 32 to 79.3 and his income from a business carried on by him either alone or as an active partner exceeds \$2 200;

(b) if he has not attained the age of 65 years before the end of the year and if he receives a spouse’s allowance under the Old Age Security Act (Statutes of Canada) or a retirement pension under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or an equivalent plan within the meaning of the said Act, or if he is entitled for the year to a deduction under section 708, to the amount by which \$1 000 exceeds the lesser of \$500 and 50% of the aggregate, for the year, of his income from an office or employment computed under sections 32 to 79.3 and his income from a business carried on by him either alone or as an active partner; or

(c) in any other case, to \$500.”

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

**20.** (1) Section 707 of the said Act is amended by replacing what precedes subparagraph *a* of the first paragraph by the following:

**“707.** An individual who has attained the age of 65 years before the end of the year may deduct, up to the amount determined in his respect for the year under section 707.1, the aggregate of the amounts contemplated in the second paragraph and any amount received by him in the year”.

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

**21.** (1) The said Act is amended by inserting, after section 707, the following section:

**“707.1** For the purposes of section 707, the amount determined in respect of an individual for a year is equal to \$1 000 less the lesser of \$500 and one-half of the amount by which the aggregate, for the year, of his income from an office or employment computed under sections 32 to 79.3 and his income from a business carried on by him either alone or as an active partner exceeds \$2 200.”

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

**22.** (1) Section 708 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“708.** An individual who has not attained the age of 65 years before the end of the year, who is not a trust and who, before the end of the year, meets one of the conditions described in the second paragraph, may deduct, up to the amount determined in his respect for the year under section 708.1, the aggregate of any amount described in subparagraph *a* of the first paragraph of section 707 received by him in the year and any amount, described in subparagraphs *b* to *e* of that first paragraph and in the second paragraph of the said section or that would be described therein if the reference to the age of the individual were not taken into account, received by him in the year by reason of the death of his spouse.”

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

**23.** (1) The said Act is amended by inserting, after section 708, the following section:

**“708.1** For the purposes of section 708, the amount determined in respect of an individual for a year is equal to the amount by which \$1 000 exceeds the lesser of \$500 and 50% of the aggregate, for the year, of his income from an office or employment computed under sections 32 to 79.3 and his income from a business carried on by him either alone or as an active partner.”

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

**24.** Section 737.13 of the said Act, enacted by section 112 of chapter 15 of the statutes of 1986, is amended by replacing paragraph *f* by the following paragraph:

**“(f)** in respect of which the corporation holds a certificate issued by the Minister of Finance which has not been suspended or cancelled by the Minister; and”.

**25.** Section 737.15 of the said Act, enacted by section 112 of chapter 15 of the statutes of 1986, is amended by replacing subparagraph *f* of the second paragraph by the following subparagraph:

“(f) he holds a certificate issued by the Minister of Finance; and”.

**26.** (1) Section 771 of the said Act is amended

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

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

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

“(e) notwithstanding paragraph *d*, in the case of a corporation contemplated in paragraph *b*, for the taxation year for which it is an eligible business within the meaning of sections 771.5 to 771.7, to the aggregate of 3% of the portion of its taxable income for the year equal to the amount determined in its respect for the year under section 771.9 and the amount by which 13% of the remaining portion of its taxable income for the year exceeds the aggregate of

i. 13 per cent of the amount by which the amount determined in its respect for the year under section 771.8 exceeds the amount determined in its respect for the year under section 771.9;

ii. 7.5 per cent of the amount by which the lesser of its taxable income for the year and, where the corporation is not a corporation contemplated in paragraph *c* of section 771.8, the amount by which its income for the year from an eligible business carried on by it exceeds its loss for the year from such a business or, where the corporation is a corporation contemplated in the said paragraph *c*, the greater of the latter excess amount and the amount used as a basis for computing the amount that the corporation may deduct for the year under the provisions mentioned in subparagraph i or ii of paragraph *b*, exceeds the amount determined in its respect for the year under section 771.8; and

iii. 2.5 per cent of the amount by which the amount used as a basis for computing the amount that the corporation may deduct for the year under the provisions mentioned in subparagraph i or ii of paragraph *b* exceeds the amount determined in its respect for the year under section 771.8.”

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

**27.** The said Act is amended by inserting, after section 771, the following section:

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

(a) 7.25 per cent of that tax, where it is computed under paragraph *a* or *d* of the said subsection;

(b) 7.25 per cent of the portion of that tax which is not attributable to the portion of its taxable income for the year equal to the amount determined in respect of the corporation for the year under section 771.9, where that tax is computed under paragraph *e* of the said subsection.

Notwithstanding the foregoing, if the taxation year includes 1 May 1986, the amount to be added under this section is such proportion of the amount that would otherwise be added under the first paragraph as the number of days in the year following 1 May 1986 is of the number of days in the year.”

**28.** (1) Section 771.1 of the said Act is replaced by the following sections:

**“771.1** For the purposes of this Title, the expression “eligible business” has the meaning given to it in the regulations and an eligible business carried on by the corporation, except for the purposes of the second paragraph of section 771.6 and of paragraph *d* of section 771.8, includes an adventure or concern in the nature of trade.

**“771.1.1** For the purposes of this Title, the income of a corporation for a taxation year from an eligible business carried on by it means its profit from the business for the year and includes the income of the corporation for the year from any property that is incident to or pertains to that business or that is used or held principally for the purpose of gaining an income from that business.”

(2) This section, where it replaces section 771.1 of the Taxation Act, applies from the taxation year 1985 and, where it enacts section 771.1.1 of the said Act, it applies from the taxation year 1987; however, for the period preceding 2 May 1986, section 771.1 of the Taxation Act enacted by it shall be read without reference to the following: “, except for the purposes of the second paragraph of section 771.6 and of paragraph *d* of section 771.8,”.

**29.** (1) The said Act is amended by inserting, after section 771.2, the following sections:

**“771.2.1** Where paragraph *c* or *d* of subsection 1 of section 771 applies for a taxation year to a corporation that was a savings and credit union throughout the entire year and where the excess amount that would otherwise be determined for the year under subparagraph *i* of the said paragraph *c* or *d* is less than the amount used as a basis for computing the amount that the corporation may deduct for the year under the provisions mentioned in subparagraph *i* or *ii* of paragraph *b* of subsection 1 of the said section 771, the said excess amount is deemed to be equal to the amount used as the basis of computation.

**“771.2.2** For the purposes of subparagraph *i* of paragraph *d* of subsection 1 of section 771, of subparagraph *ii* of paragraph *e* of the said subsection 1 and of paragraph *d* of section 771.8, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed as if any income or loss of the corporation for the year from the operations of an international financial centre were nil.”

(2) This section, where it enacts section 771.2.1 of the Taxation Act, applies from the taxation year 1982 and, where it enacts section 771.2.2 of the said Act, it has effect from 1 January 1986; however, in its application to the period from 1 January 1986 to 1 May 1986, the said section 771.2.2 shall be read without reference to the following: “of subparagraph *ii* of paragraph *e* of the said subsection 1 and of paragraph *d* of section 771.8,”.

**30.** (1) Sections 771.3 and 771.4 of the said Act, amended by sections 119 and 120, respectively, of chapter 15 of the statutes of 1986, are replaced by the following sections:

**“771.3** Where an amount is paid or becomes payable to a particular corporation by another corporation with which it is associated, within the meaning of the regulations under section 230.2, in any particular taxation year and where the particular corporation must otherwise include that amount in computing its income for the particular year from any property or excluded business, within the meaning of the regulations, the rules set forth in section 771.4 apply for the purposes of section 771.1.1.

**“771.4** The rules contemplated in section 771.3 are as follows:

(a) the portion of the amount contemplated in section 771.3 that is deductible in computing the income of the other corporation for a



taxation year from an eligible business carried on by it is deemed to be income of the particular corporation for the particular year from an eligible business carried on by it;

(b) any outlay or expense, to the extent that that outlay or expense may reasonably be regarded as having been made or incurred by the particular corporation for the purpose of gaining the portion contemplated in paragraph *a*, is deemed to have been made or incurred for the purpose of gaining the income contemplated in paragraph *a*."

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

**31.** (1) The said Act is amended by inserting, after section 771.4, the following sections:

**"771.5** For the purposes of paragraph *e* of subsection 1 of section 771 and subject to sections 771.6 and 771.7, a corporation is an eligible corporation for a taxation year if

(a) it was incorporated after 1 May 1986;

(b) it is not a corporation resulting from an amalgamation or a merger of several corporations;

(c) the year is one of the corporation's first three taxation years; and

(d) the corporation filed a return in prescribed form with the Minister not later than the day on or before which it was required to file its fiscal return under section 1000 for its first taxation year.

**"771.6** A corporation is not an eligible corporation for a taxation year if, at any time in the period extending from the day of its incorporation to the end of the year, the corporation

(a) was affiliated with any other corporation;

(b) was a corporation other than a Canadian-controlled private corporation;

(c) carried on a personal services business;

(d) carried on an eligible business as a member of a partnership or as a co-participant in a joint venture with another person or a partnership;

(e) was the beneficiary of a trust; or

(f) carried on an eligible business principally as a result of acquiring or renting property from another person or a partnership who or which, at any time in the 12 months preceding that acquisition or rental, carried on a business in which he or it used that property and, by reason of that acquisition or rental, the corporation may reasonably be regarded as having continued to carry on the business or a part of the business of the other person or of the partnership.

Similarly, a corporation is not an eligible corporation for a taxation year if, for that year or a preceding taxation year, its activities as a whole did not consist almost entirely in carrying on an eligible business.

**“771.7** Where the business carried on in a taxation year by a corporation may reasonably be considered in fact to consist mainly in the continuance of one or several businesses or of a part of one or several businesses previously carried on by one or several other persons or partnerships and where, but for this section, the corporation would be an eligible corporation for that year or a subsequent taxation year, the corporation is deemed, if the Minister so decides, not to be an eligible corporation for those years.

**“771.8** The amount which, for the purposes of subparagraphs i to iii of paragraph *e* of subsection 1 of section 771, is to be determined under this section in respect of a corporation for a taxation year is the least of the following amounts:

(a) \$200 000;

(b) the taxable income of the corporation for the year;

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

(d) where the corporation is not a corporation contemplated in paragraph *c*, the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business.

**“771.9** The amount which, for the purposes of paragraph *e* of subsection 1 of section 771, is to be determined under this section in

respect of a corporation for a particular taxation year is the lesser of the following amounts:

(a) the amount by which any excess amount contemplated in subparagraph i of paragraph *a* of section 1029.2 in respect of the corporation for a taxation year preceding the particular year exceeds the amount determined, where such is the case, under this section for the immediately preceding taxation year;

(b) the amount determined in respect of the corporation for the particular year under section 771.8.

**“771.10** Where the amount determined in respect of a corporation for a particular taxation year under section 771.9 is not an amount which is nil, the tax payable by the corporation for the particular year in respect of the portion of its taxable income for the particular year which is equal to that amount, as determined under paragraph *e* of subsection 1 of section 771 or, in the case of a corporation contemplated in the second paragraph of section 27, such proportion of the said tax payable as is indicated in the said second paragraph, must not be greater than the amount by which the aggregate of all amounts determined under subparagraph i of paragraph *a* of section 1029.2 in respect of the corporation for a taxation year preceding the particular year exceeds such tax payable or such proportion of such tax payable by the corporation for the taxation year preceding the particular year in respect of such a portion of its taxable income for the preceding year.

**“771.11** Where the tax payable by a corporation for a particular taxation year is determined under paragraph *e* of subsection 1 of section 771, the corporation is deemed, for purposes of the application of section 734 and subparagraph i of paragraph *a* of section 1029.2 to any subsequent taxation year, to have deducted under Title VII of Book IV, in computing its taxable income for the particular year, the amount that may be deducted in respect of any loss which, except where the corporation was a savings and credit union throughout the entire particular year, is not a net capital loss under the said Title in such computation for the particular year and which the corporation has not otherwise deducted in such computation for the particular year.

Notwithstanding the foregoing, the amount contemplated in the first paragraph for the particular taxation year in respect of a particular loss of the corporation shall not be greater than such portion of the excess amount described in subparagraph i of paragraph *e* of subsection 1 of section 771 in respect of the corporation for the particular year as exceeds the aggregate of all amounts it is deemed to have deducted under this section in such computation for the particular year in respect

of any loss sustained by it in a taxation year preceding the taxation year in which the particular loss was sustained.”

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

**32.** Section 776.23 of the said Act, enacted by section 127 of chapter 15 of the statutes of 1986, is amended by replacing paragraphs *b* and *c* by the following paragraphs:

“(b) for the taxation year 1987,

- i. \$84 in respect of the individual contemplated therein;
- ii. \$84 in respect of not more than one person being the individual’s spouse during the year; and
- iii. \$29 in respect of each dependent person of the individual during the year;

“(c) for the taxation year 1988,

- i. \$87 in respect of the individual contemplated therein;
- ii. \$87 in respect of not more than one person being the individual’s spouse during the year; and
- iii. \$30 in respect of each dependent person of the individual during the year.”

**33.** (1) Section 776.24 of the said Act, enacted by section 127 of chapter 15 of the statutes of 1986, is amended by replacing paragraph *b* by the following paragraph:

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

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

**34.** (1) The said Act is amended by inserting, after section 776.24, the following section:

**“776.24.1** For the purposes of paragraph *b* of section 776.24, the following rules apply:

(a) the amount that the individual contemplated in section 776.22 deducts under paragraph *a* of section 695 for the year is deemed to be equal to the amount that the individual could deduct under that paragraph for the year if

i. the word "spouse" had, in that paragraph *a* of section 695, the meaning assigned to it by paragraph *a* of section 776.21, and

ii. his spouse had no income for the year;

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

(c) where, for the purposes of paragraph *b* of section 776.24, no amount is deemed to be deducted under paragraph *a* of section 695 by an individual contemplated in section 776.22 for a year and where that individual deducts an amount under section 695.1 for the year, the latter amount is deemed to be equal to the amount that the individual could deduct under section 695.1 for the year, if the dependent person contemplated therein had no income for the year."

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

**35.** (1) Section 776.27, enacted by section 127 of chapter 15 of the statutes of 1986, is amended by adding the following paragraph:

"Where, for a taxation year, the amount an individual would be entitled to deduct under this Title in respect of a person, but for this section, is different from the amount another individual would be so entitled to deduct in respect of that person under this Title, the amount of the deduction for an individual otherwise provided for in respect of that person for the year must be reduced to the proportion of that amount determined in respect of that individual by the aggregate of the individuals who would be so entitled to a deduction provided for in this Title in respect of that person; notwithstanding the foregoing, the aggregate of the proportions so determined for the aggregate of those individuals in respect of one and the same person must not exceed 1 for the year; if the aggregate of the proportions so determined exceeds 1 for the year, the Minister may fix the amount that each individual may deduct for the year under this Title in respect of that person."

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

**36.** (1) Section 965.1 of the said Act, amended by section 135 of chapter 15 of the statutes of 1986, is again amended

(1) by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) “assets” means the assets of a corporation as determined under sections 965.3 to 965.3.2 and 965.4.1.2;

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

(2) by replacing paragraphs *c* to *e* by the following paragraphs:

“(c) “net shareholders’ equity” means the net shareholders’ equity of a corporation as determined under sections 965.4 to 965.4.1.2;

“(d) “qualified corporation” means a corporation mentioned in section 965.10, 965.11.1, 965.11.5, 965.11.6 or 965.12 and not contemplated in section 965.11.8 or 965.11.9 nor governed by the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1) or by the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1);

“(e) “developing corporation” means a qualified corporation described in sections 965.13 to 965.17 which is not governed by one of the Acts mentioned in paragraph *d*;”;

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

“(g) “adjusted cost” means the cost of a share or stock as determined under sections 965.6 to 965.6.0.2;”;

(4) by inserting, after paragraph *h.1*, the following paragraph:

“(h.2) “stock ownership plan” means a plan described in section 965.6.8;”;

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

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

“(k) “negotiable instrument” means any form of investment contemplated in section 1 of the Securities Act (R.S.Q., chapter V-1.1), disregarding the exception provided in subparagraph 3 of the first paragraph of that section.”

(2) This section, where it replaces paragraphs *e* and *g* of section 965.1 of the Taxation Act and enacts paragraph *h.2* of the said section 965.1, has effect from 2 May 1986.

(3) This section, where it replaces paragraphs *a* to *c* and *k* of section 965.1 of the Taxation Act applies in respect of a public share issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was submitted to the Ministère du Revenu within 20 days following that date and such approval has been obtained.

(4) This section, where it replaces paragraph *d* of section 965.1 of the Taxation Act, applies in respect of a public share issue for which the date of the receipt for the final prospectus or of the exemption from filing a prospectus was granted after 1 May 1986; however, where it replaces the said paragraph *d* in order to add a reference to section 965.11.1 of the said Act, it applies in respect of a corporation which makes a public share issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 23 April 1985.

**37.** (1) Section 965.3 of the said Act is replaced by the following section:

**“965.3** The assets of a corporation are the assets shown in its books and 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, less the surplus reassessment of its property and less the amount of its intangible assets that exceeds the expenditure made in that respect without taking account of any consideration for the purchase of those intangible assets which consists of shares of the corporation’s capital stock.”

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

**38** (1) Section 965.3.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“965.3.1** The assets of a corporation which is associated, within the meaning of the regulations under section 230.2, with another corporation in the 12 months preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, are the

aggregate of the assets of the corporation and of each corporation associated with it, as determined under section 965.3 or 965.3.2, as the case may be, less the amount of investments the corporations own in each other, and less the balance of accounts between the corporations.”

(2) This section applies in respect of a public share issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was submitted to the Ministère du Revenu within the 20 days following that date and such approval has been obtained.

**39.** (1) The said Act is amended by adding, after section 965.3.1, the following section:

**“965.3.2** The assets of a corporation which, within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, results from an amalgamation within the meaning of section 544 are equivalent to the greater of the following amounts:

(a) the amount of the assets as determined under section 965.3 or 965.3.1, as the case may be, of the corporation resulting from the amalgamation; and

(b) the amount of the aggregate of the assets of each of the predecessor corporations as determined under section 965.3 by replacing the reference in that section to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus by a reference to its financial statements submitted to the shareholders for each of the taxation years ended during the 365 days preceding the time of amalgamation.”

(2) This section applies in respect of a public share issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was submitted to the Ministère du Revenu within the 20 days following that date and such approval has been obtained.



**40.** (1) Section 965.4 of the said Act is replaced by the following section:

**“965.4** The net shareholders’ equity of a corporation is the one shown in its books and 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, less the surplus reassessment of its property and less the amount of its intangible assets that exceeds the expenditure made in that respect without taking account of any consideration for the purchase of those intangible assets which consists of shares of the corporation’s capital stock.”

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

**41.** (1) Section 965.4.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“965.4.1** The net shareholders’ equity of a corporation which is associated, within the meaning of the regulations under section 230.2, with a corporation in the 12 months preceding the date of receipt for the final prospectus or the exemption from filing a prospectus is the aggregate of the net shareholders’ equity of the corporation and of each corporation associated with it, as determined under section 965.4 or 965.4.1.1, as the case may be, less the amount of investments the corporations own in each other.”

(2) This section applies in respect of a public share issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was submitted to the Ministère du Revenu within the 20 days following that date and such approval has been obtained.

**42.** (1) The said Act is amended by inserting, after section 965.4.1, the following sections:

**“965.4.1.1** The net shareholders’ equity of a corporation which, within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, results from an amalgamation within the meaning of section 544 is equivalent to the greater of the following amounts:

(a) the amount of the net shareholders' equity as determined under section 965.4 or 965.4.1, as the case may be, of the corporation resulting from the amalgamation; and

(b) the amount of the aggregate of the net shareholders' equity of each of the predecessor corporations as determined under section 965.4 by replacing the reference in that section to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus by a reference to its financial statements submitted to the shareholders for each of the taxation years ended within the 365 days preceding the date of amalgamation.

**“965.4.1.2** For the purposes of sections 965.3 to 965.4.1.1, the assets or the net shareholders' equity shall be computed by making every possible combination in such computation in respect of each fiscal period contemplated therein of each corporation referred to, where such is the case, in the said sections.”

(2) This section applies in respect of a public share issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986 except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was submitted to the Ministère du Revenu within the 20 days following that date and such approval has been obtained.

**43.** (1) Sections 965.4.2 and 965.4.3 of the said Act are replaced by the following sections:

**“965.4.2** For the purposes of sections 965.3 and 965.4,

(a) where any of the computations referred to therein must be made, after 10 May 1983, in respect of a corporation that is 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 of the exemption from filing a prospectus shall be replaced by a reference to its financial statements at the beginning of its first fiscal period;

(b) where any of the computations referred to therein must be made in respect of a corporation which, within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, modified its usual and accepted 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 of the exemption from filing a prospectus shall be replaced by a reference to its financial statements submitted to the shareholders for each of the taxation years ended in the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus.

**“965.4.3** For the purposes of sections 965.3 to 965.4.2, where any of the computations referred to therein must be made in respect of a corporation described in section 965.4.4 that makes a public share issue after 22 May 1984, the computation is made without taking into account the net shareholders’ equity or the assets, as the case may be, of a government or of another corporation mentioned in section 965.4.4 which is no longer associated with it on the date on which the public share issue ends and, in the case of the other corporation, was not directly or indirectly controlled by the issuing corporation at any time in the 12 months preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) This section applies in respect of a public share issue for which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was submitted to the Ministère du Revenu within the 20 days following that date and such approval has been obtained.

**44.** (1) The said Act is amended by inserting, after section 965.4.5, the following section:

**“965.4.6** For the purposes of this Title, where a corporation must meet a requirement in respect of which section 965.3, 965.3.1, 965.4 or 965.4.1 applies, the requirement must be met for each of its fiscal periods referred to, where such is the case, in that section.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within the 20 days following that date and such approval has been obtained.

**45.** (1) Section 965.5 of the said Act is replaced by the following section:

**“965.5** For the purposes of sections 965.4 to 965.4.1.2, where a corporation or a corporation associated with it reduces the net shareholders’ equity by any transaction after 15 November 1983 for the purposes of qualifying as a developing corporation, the net shareholders’ equity is deemed not to have been reduced unless the corporation shows to the satisfaction of the Minister that the transaction was necessary owing to the normal course of its business.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days following that date and such approval has been obtained.

**46.** (1) The said Act is amended by inserting, after section 965.6, the following sections:

**“965.6.0.1** For the purposes of section 965.6, the percentages provided therein shall be increased by 25 percentage points where a share is acquired by an individual under a stock ownership plan as part of a public share issue in respect of which the receipt for the final prospectus or an exemption from filing a prospectus was granted after 1 May 1986.

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

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

**47.** (1) The said Act is amended by inserting, after section 965.6.7, the following:

## “CHAPTER II.2

### “STOCK OWNERSHIP PLAN

**“965.6.8** A stock ownership plan is a plan meeting the requirements of this chapter which is instituted by a corporation to enable only its eligible employees to acquire qualifying shares of its capital stock as part of a public share issue.

**“965.6.9** The expression “eligible employee of a corporation” means any individual residing in Québec who is in the employ of the corporation or of a subsidiary not less than 90 per cent of the shares of the issued capital stock of which having full voting rights under all circumstances are owned directly or indirectly by the corporation and who, immediately before the acquisition of the shares, holds directly, indirectly or with related persons who are not in the employ of the corporation or of such a subsidiary, less than 5 per cent of the shares of the issued capital stock of the corporation.

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

**“965.6.11** A stock ownership plan may provide that an individual is not an eligible employee of a corporation if, at the time of acquisition of the shares of the corporation, he cannot prove three consecutive months of service with the corporation, with a subsidiary not less than 90 per cent of the shares of the issued capital stock of which having full voting rights under all circumstances are owned directly or indirectly by the corporation or with a company referred to in section 965.6.10.

**“965.6.12** A stock ownership plan may set a maximum limit to the number of qualifying shares that may be acquired thereunder, provided the number is determined by means of the same formula for all eligible employees.

**“965.6.13** In no case may a stock ownership plan require each eligible employee to acquire a minimum number of qualifying shares under the plan.

**“965.6.14** Every stock ownership plan shall provide the identical formula for all eligible employees for the determination of the purchase price of each qualifying share that may be acquired under the plan.

**“965.6.15** Every stock ownership plan shall provide eligible employees with means for financing the acquisition of qualifying shares under the plan, as provided for in section 965.6.15, which shall be identical for all eligible employees, up to the amount of the acquisition.

The amount of financing provided may be less than the amount of the acquisition, to such extent as it is limited by a provision of an Act.

**“965.6.16** The means of financing provided under a stock ownership plan shall be an interest-free loan granted by the corporation, a loan granted by the corporation bearing interest at a rate not exceeding the market rate at the time of the loan or a loan from another person, provided the terms and conditions are negotiated by the corporation.

**“965.6.17** Every stock ownership plan shall provide the terms of repayment of a loan, which shall be reasonable and spread the payments over a reasonable period beginning with the time of the loan.

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

**“965.6.19** In no case may a stock ownership plan provide for the purchase by anyone, or the transfer to or redemption by the issuing corporation, of the qualifying shares acquired under the plan.

**“965.6.20** Every stock ownership plan shall be managed by a dealer and shall provide that the certificate attesting to a qualifying share acquired under the plan shall be remitted to the dealer as provided in paragraph *g* of section 965.7.”

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

**48.** (1) Section 965.7 of the said Act, amended by section 139 of chapter 15 of the statutes of 1986, is again amended by replacing paragraphs *c* to *e* by the following paragraphs:

“(c) it cannot, under the conditions pertaining to its issue, be redeemed by the issuing corporation or purchased by anyone in whole or in part, directly or indirectly, in any manner whatever, or be the

subject of a transaction that would result either in rendering such a share, a share substituted for such a share or a share received as a result of a transaction referred to in section 301, 541 or 544 in respect of any such share or substituted share, redeemable by the issuing corporation or purchasable by anyone, in whole or in part, directly or indirectly in any manner whatever or in transferring property of the corporation other than a dividend to the shareholder;

“(c.0.1) it cannot, under the conditions pertaining to its issue, entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation;

“(d) it is issued by a qualified corporation mentioned in section 965.10, 965.11.1, 965.11.5 or 965.11.6 or in paragraph *b* or *c* of section 965.12, which states, in the final prospectus or the exemption from filing a prospectus, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title;

“(e) it is acquired for money consideration 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 applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986. However, where it amends paragraph *d* of section 965.7 of the Taxation Act so as to add a reference to section 965.11.1 of the said Act, it applies in respect of a corporation making a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 23 April 1985, and where it amends the said paragraph *d* so as to strike out the reference to paragraph *a* of section 965.12 of the said Act, it applies from 1 November 1985 in respect of 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).

**49.** (1) The said Act is amended by inserting, after section 965.7, the following section:

**“965.7.1** For the purposes of paragraph *c* of section 965.7, a share that would be a qualifying share if the conditions pertaining to its issue did not contain a stipulation to the effect that it is purchasable or redeemable is a qualifying share if the sole purpose of the stipulation

is to meet the requirements of an Act or the regulations governing a sector of activities.”

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

**50.** (1) The said Act is amended by inserting, after section 965.9.3, the following sections:

**“965.9.4** Notwithstanding sections 965.8 and 965.9.1 to 965.9.3, a share is not a qualifying share where the use, as stated in the final prospectus or the application for exemption from filing a prospectus or as may be inferred therefrom, of the major portion of the proceeds of the public share issue relating to the share is the direct or indirect payment for the acquisition of shares of another corporation or of any other negotiable instruments, except

(a) where such shares or negotiable instruments are securities issued by a corporation whose corporate name is disclosed in the final prospectus or the application for exemption from filing a prospectus if, immediately after the acquisition, the latter corporation is directly or indirectly a subsidiary controlled corporation of the issuing corporation whose activities or those of a subsidiary corporation it controls directly or indirectly have commercial possibilities directly linked with those of the issuing corporation or of another corporation associated therewith, within the meaning of the regulations under section 230.2, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and where one of the corporations other than such a subsidiary carries on a qualified business within the meaning of the regulations under section 451; or

(b) where such shares or negotiable instruments will be securities issued by a corporation whose corporate name is not disclosed in the final prospectus or the application for exemption from filing a prospectus, if the issuing corporation or a corporation associated therewith, within the meaning of the regulations under section 230.2, carries on a qualified business within the meaning of the regulations under section 451 and where the issuing corporation states expressly in the final prospectus or the application for exemption from filing a prospectus that such shares or negotiable instruments will be securities issued by a corporation which, immediately after the acquisition, will be directly or indirectly a subsidiary controlled corporation of the issuing corporation whose activities or those of a subsidiary corporation it controls directly or indirectly have commercial possibilities directly linked with the activities of the issuing corporation or those of another corporation associated



therewith, within the meaning of the regulations under section 230.2, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.

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

**“965.9.6** For the purposes of sections 965.9.4 and 965.9.5, “share” or “negotiable security” does not include,

(a) where the issuing corporation carries on the activities of a dealer within the meaning of the Securities Act (R.S.Q., chapter V-1.1), such property held in inventory;

(b) where the issuing corporation is a corporation referred to in section 965.11.1, such property issued by a corporation described in paragraph *d* of the said section in whose administration it participates.

**“965.9.7** Section 965.9.4 does not apply where the issuing corporation is a corporation to which the Bank Act (Statutes of Canada) or the Quebec Savings Banks Act (Statutes of Canada) applies, a body governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4), by the Canadian and British Insurance Companies Act (Statutes of Canada) or by the Act respecting insurance (R.S.Q., chapter A-32), a corporation holding a licence or otherwise authorized by the laws of Canada or of a province to offer its services there as a trustee or any other corporation whose principal business is the lending of money or the purchasing of debts.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days following that date and such approval has been obtained.

**51.** (1) Section 965.10 of the said Act is amended

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

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

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

“(e) it had throughout the preceding 12 months not fewer than 5 full-time employees who are not insiders within the meaning of section 89 of the Securities Act (R.S.Q., chapter V-1.1) or persons related to insiders.”

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

(3) Paragraph 2 of subsection 1 applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986 except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days after that date and such approval has been obtained.

**52.** (1) Section 965.10.1 of the said Act, replaced by section 140 of chapter 15 of the statutes of 1986, is amended by replacing paragraph *b* by the following paragraphs:

“(b) in the case of a corporation in its first fiscal period, except in the case provided for in paragraph *d*, 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;

“(c) in the case of a corporation having modified its usual and accepted fiscal period within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a

prospectus otherwise than as a result of an amalgamation within the meaning of section 544, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or the exemption from filing a prospectus shall be replaced by a reference to its financial statements submitted to the shareholders for each of the taxation years ended within the 365 days preceding the date of the receipt for the final prospectus or the exemption from filing a prospectus;

“(d) in the case of a corporation resulting from an amalgamation within the meaning of section 544 within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus shall be replaced by a reference to its financial statements submitted to the shareholders at the beginning of its first fiscal period where the corporation is in its first fiscal period, or for each of the taxation years ended since the amalgamation in other cases, and to the financial statements submitted to the shareholders of the predecessor corporation referred to in section 965.10.2 for each of its taxation years ended within the 365 days preceding the time of amalgamation.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days following that date and such approval has been obtained.

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

**“965.10.2** For the purposes of section 965.10, where a corporation results from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed from the time of amalgamation to the date of the receipt for the final prospectus or the exemption from filing a prospectus, the requirement contained in paragraph e of section 965.10 shall be replaced by the requirement that the corporation have, throughout the period extending from the time of amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, not fewer than 5 full-time employees who are not insiders within the meaning of section 89 of the Securities Act (R.S.Q., chapter V-1.1) or persons related to such

insiders and that, throughout the 12 months immediately preceding the time of amalgamation, one of the predecessor corporations have had not fewer than 5 full-time employees who were not insiders within the meaning of the said section 89 or persons related to such insiders.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days after that date and such approval has been obtained.

**54.** (1) Section 965.11 of the said Act is amended

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

“(a) voting shares representing not less than 20% of the voting shares of a given corporation meeting the requirement of paragraph *d* of section 965.10;

“(a.1) promissory notes, debentures, bonds or other debt securities issued by a given corporation contemplated in paragraph *a* and shares without voting rights of such a given corporation;”;

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

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

“(c) promissory notes or other debt securities obtained in the ordinary course of its business and held by a corporation to which the Bank Act (Statutes of Canada) or the Quebec Savings Banks Act (Statutes of Canada) applies, a body governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4), by the Canadian and British Insurance Companies Act (Statutes of Canada) or by the Act respecting insurance (R.S.Q., chapter A-32), by a corporation holding a licence or otherwise authorized by the laws of Canada or a province to offer its services there as a trustee or any other corporation whose principal business is the lending of money or the purchasing of debts;

“(d) property held in inventory by a corporation carrying on the activities of a dealer within the meaning of the Securities Act (R.S.Q., chapter V-1.1).”

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

**55.** (1) Section 965.11.4 of the said Act, enacted by section 141 of chapter 15 of the statutes of 1986, is replaced by the following section:

**“965.11.4** For the purposes of paragraph *d* of section 965.11.1,

(a) in the case of a corporation that is in its first fiscal period, except in the case provided for in paragraph *c*, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus shall be replaced by a reference to its financial statements at the beginning of its first fiscal period;

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

(c) in the case of a corporation resulting from an amalgamation within the meaning of section 544 within the 365 days preceding the date of the receipt for the final prospectus or the exemption from filing a prospectus, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or the exemption from filing a prospectus shall be replaced by a reference to its financial statements submitted to the shareholders at the beginning of its first fiscal period where the corporation is in its first fiscal period, or for each of the taxation years ended since the amalgamation in other cases, and to the financial statements submitted to the shareholders of the predecessor corporation which, immediately before the time of amalgamation, met the requirement of paragraph *d* of the said section 965.11.1, for each of its taxation years ended within the 365 days preceding the time of amalgamation.”

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986 except where the work surrounding the

preparation of the final prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days following that date and such approval has been obtained.

**56.** (1) The said Act is amended by inserting, after section 965.11.4, the following sections:

**“965.11.5** A corporation that makes a public share issue after 1 May 1986 is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,

(a) it is a Canadian corporation whose corporate seat or principal place of business is in Québec;

(b) common shares of its capital stock carrying voting rights were registered with a stock exchange in Québec after 5 July 1973, were or are, after that date, the subject of a distribution under the conditions provided in paragraph 1 of section 68 or 338 of the Securities Act (R.S.Q., chapter V-1.1) or, after the same date, were distributed in accordance with an authorization granted by the Régie de l'électricité et du gaz before 22 June 1979;

(c) substantially all its property consists of shares of the capital stock of one or more of its subsidiary controlled corporations or of loans or advances granted to such subsidiary corporations;

(d) one of the subsidiary corporations referred to in paragraph *c* meets the requirements of paragraphs *a*, *c*, *d* and *e* of section 965.10.

**“965.11.6** A corporation that makes a public share issue after 1 May 1986 is a qualified corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,

(a) it fulfils the requirements of paragraphs *a* to *c* of section 965.11.5;

(b) one of the subsidiary corporations referred to in the said section 965.11.5 fulfils the requirements of paragraphs *a* to *f* of section 965.11.1;

(c) it attests to the Minister, in prescribed form, that it undertakes that its subsidiary referred to in paragraph *b* will fulfill the requirements of paragraphs *a* to *e* of section 965.11.1 throughout the 24 months following that date.

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

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

The first paragraph applies until the corporation has made a public issue of shares of the same class which, but for this section, would be qualifying shares, for an amount equal to the lesser of the average adjusted cost of all the purchased or redeemed shares and the adjusted cost of all the shares of its capital stock issued with the stipulation that they could be included in a stock savings plan.

The first paragraph does not apply to a share purchased or redeemed to meet the requirements of an Act or the regulations governing a sector of activities.

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

The first paragraph applies until the corporation has made a public issue of shares of the same class, which would be qualifying shares but for this section, for an amount equal, in the opinion of the Minister, to the average adjusted cost of all the shares which, but for such a transaction or operation or series of transactions or operations, would have been purchased or redeemed.

The first paragraph does not apply to a transaction or operation or series of transactions or operations in respect of a share to the extent that the transaction or operation or series of transactions or operations

is effected to meet the requirements of an Act or the regulations governing a sector of activities.

**“965.11.10** For the purposes of the second paragraph of sections 965.11.8 and 965.11.9, the average adjusted cost of a share is equal to the adjusted cost of all the shares of the capital stock of a corporation issued with the stipulation that they could be included in a stock savings plan, divided by the number of such shares.”

(2) This section, where it enacts sections 965.11.5 to 965.11.7 of the Taxation Act, applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986.

(3) This section, where it enacts sections 965.11.8 to 965.11.10 of the Taxation Act, applies *from 7 May 1986*.

**57.** (1) Section 965.13 of the said Act is amended by replacing paragraph *c* by the following paragraph:

“(c) it had throughout the preceding 12 months, not fewer than 5 full-time employees who were not insiders within the meaning of section 89 of the Securities Act (R.S.Q., chapter V-1.1) or persons related to such insiders;”.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days following that date and such approval has been obtained.

**58.** (1) The said Act is amended by inserting, after section 965.16, the following section:

**“965.16.0.1** A corporation making a public share issue after 1 May 1986 is a developing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,

(a) its corporate seat or principal place of business is in Québec;

(b) substantially all its property consists of shares of the capital stock of one or more of its subsidiary controlled corporations or of loans or advances granted to such subsidiary corporations;



(c) one of the subsidiary corporations referred to in paragraph *b* resulting from an amalgamation within the meaning of section 544 is in its first fiscal period and meets the requirements of paragraphs *a* and *b* of section 965.16.1 and one of the predecessor corporations meets the requirement of paragraph *c* of the said section 965.16.1;

(d) it acquired control of the predecessor corporation referred to in paragraph *c* more than 12 months before that date; and

(e) the main activity of the corporation and of its subsidiaries is the carrying on of a qualified business within the meaning of the regulations under section 451.”

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

**59.** (1) Section 965.16.1 of the said Act, amended by section 143 of chapter 15 of the statutes of 1986, is again amended by replacing paragraph *b* by the following paragraph:

“(b) it had not fewer than 5 full-time employees who were not insiders within the meaning of section 89 of the Securities Act (R.S.Q., chapter V-1.1) or persons related to such insiders throughout the period extending from the date of amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus; and”.

(2) This section applies in respect of a public share issue in respect of which the receipt for the final prospectus or a prospectus exemption was granted after 1 May 1986, except where the work surrounding the preparation of the prospectus or the application for exemption from filing a prospectus was sufficiently well advanced on that date and where an application for approval to that effect was made to the Ministère du Revenu within 20 days following that date and such approval has been obtained.

**60.** (1) Section 965.19.2 of the said Act, enacted by section 144 of chapter 15 of the statutes of 1986, is replaced by the following section:

**“965.19.2** For the purposes of sections 965.18 to 965.19.1, where the individual contemplated therein is a member of an investment group and that group purchased and included, at a particular time, a qualifying share in a stock savings plan under which it is a beneficiary, the said share constitutes, up to the amount of the individual’s interest in the

investment group indicated in the declaration filed with the dealer or, where such is the case, determined in paragraph *c* of section 965.6.5 or in paragraph *b* of section 965.6.6, a share purchased and included at the same time in a stock savings plan under which the individual is a beneficiary.”

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

**61.** (1) Section 965.20 of the said Act, amended by section 145 of chapter 15 of the statutes of 1986, is again amended by replacing the second paragraph by 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 965.6.5 or in paragraph *b* of section 965.6.6, a share withdrawn by the individual from a stock savings plan under which he is a beneficiary.”

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

**62.** (1) Section 965.26 of the said Act, replaced by section 149 of chapter 15 of the statutes of 1986, is again replaced by the following section:

**“965.26** The dealer or federation shall ensure that every share or stock to be included in a stock savings plan has been acquired for money consideration 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.”

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

**63.** (1) Section 965.29 of the said Act, enacted by section 150 of chapter 15 of the statutes of 1986, is amended

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

“(b.1) “financial commitment” means the financial commitment of a shareholder of a Québec business investment company as determined under section 965.31.2;”;

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

“(c.1) “adjusted interest in a qualified investment” means the adjusted interest in a qualified investment as determined under section 965.31.1;

“(c.2) “unused adjusted qualified investment deduction” means the unused adjusted qualified investment deduction as determined under sections 965.30 and 965.31;”.

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

**64.** (1) Sections 965.30 and 965.31 of the said Act, enacted by section 150 of chapter 15 of the statutes of 1986, are replaced by the following sections:

**“965.30** The unused adjusted qualified investment deduction of an individual for a taxation year is the amount by which the aggregate of the amounts representing his adjusted interest in a qualified investment for each of the preceding five taxation years exceeds the aggregate of the amounts deducted under this Title for the said preceding taxation years in respect of those amounts.

**“965.31** The unused adjusted 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 adjusted interest in a qualified investment for each of the preceding five taxation years exceeds the aggregate of the amounts deducted under this Title for the said preceding taxation years in respect of those amounts.

**“965.31.1** The adjusted interest in a qualified investment of an individual or, where such is the case, of a corporation, is an amount equal to,

(a) in the case of a qualified investment made after 1 May 1986 by a Québec business investment company referred to in section 4.1

of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), 125 % of the amount of his or its interest in the qualified investment without exceeding 125 % of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(b) in the case of a qualified investment made after 1 May 1986 by a Québec business investment company other than such a corporation referred to in paragraph *a*, 100 % of the amount of his or its interest in the qualified investment without exceeding 100 % of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment; or

(c) in the case of a qualified investment made before 2 May 1986, 100 % of the amount of his or its interest in the qualified investment.

**“965.31.2** The financial commitment of a shareholder of a Québec business investment company, at a particular time, is equal to the amount by which the aggregate of amounts representing his interest in a qualified investment made by the Québec business investment company before that time and held by it at that time, exceeds the aggregate of

(a) the lesser of the paid-up capital represented by the shares of the capital stock of the Québec business investment company held by the shareholder at that time as the actual owner thereof and the cost to the shareholder of those shares determined without taking into account the borrowing costs or other costs related to the acquisition thereof or of the custody fees;

(b) the amount of the loans and advances that are due to the shareholder, at that time, by the Québec business investment company; and

(c) the percentage of the surpluses of the Québec business investment company, other than a property revaluation surplus, as shown in its books and in its financial statements submitted to the shareholders for its last taxation year ended before that time and adjusted to take into account any gain or loss realized, from the end of the said taxation year until the given time, as a result of the disposition by the Québec business investment company of a qualified investment, equal to the percentage of the interest in the surpluses, taking into account the rights of the other shareholders, of the shares held by the shareholder at that time as the actual owner thereof.

Notwithstanding the foregoing, in no case may the amount determined under the first paragraph be less than the cost to the shareholder of the shares of the capital stock of the Québec business investment company held by him at that time as the actual owner thereof without taking into account the borrowing costs or other costs related to the acquisition thereof or of the custody fees.”

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

**65.** (1) Section 965.32 of the said Act, enacted by section 150 of chapter 15 of the statutes of 1986, is amended by replacing the first paragraph by the following paragraph:

“**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 adjusted interest in a qualified investment for the year and his unused adjusted qualified investment deduction for the year.”

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

**66.** (1) Section 965.33 of the said Act, enacted by section 150 of chapter 15 of the statutes of 1986, is replaced by the following section:

“**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 adjusted interest in a qualified investment for the year and its unused adjusted qualified investment deduction for the year.”

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

**67.** (1) Section 965.35 of the said Act, enacted by section 150 of chapter 15 of the statutes of 1986, is amended

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

“(a) “qualified cooperative” means a qualified cooperative within the meaning of the cooperative investment plan;”;

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

“(b.1) “cooperative investment plan” means the cooperative investment plan adopted under the Act respecting the Ministère de l’Industrie et du Commerce (R.S.Q., chapter M-17);”;

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

“(c.1) “qualified partnership” means a partnership that is a member of a farm cooperative and, within 60 days after the end of the fiscal period in which it acquired a qualifying security and not later than 31 January of the year immediately following the year in which the said fiscal period ends, files with the farm cooperative a written declaration indicating the share of each of its members in the profits of the partnership for that fiscal period;”;

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

“(d) “qualifying security” means a qualifying security within the meaning of the cooperative investment plan.”

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

**68.** (1) Section 965.36 of the said Act, enacted by section 150 of chapter 15 of the statutes of 1986, is replaced by the following section:

**“965.36** The adjusted cost to an individual of a qualifying security is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition of the security incurred by him or by a qualified partnership, by 150% in the case of a qualifying security acquired in 1985 or by 100% in the case of a qualifying security acquired after 1985.”

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

**69.** (1) The said Act is amended by inserting, after section 965.37, the following section:

**“965.37.1** For the purposes of section 965.37, an individual who is a member of a qualified partnership and whose activities consist mainly in carrying on a farming business or who carries on his main activity within the partnership is deemed, if he is a member of the partnership at the end of the fiscal period of the partnership in which it acquired a qualifying security, to have acquired the qualifying security in the year in which the said fiscal period ends, up to the amount of his share in the profits of the partnership for that fiscal period.”

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

**70.** (1) Section 965.39 of the said Act, enacted by section 150 of chapter 15 of the statutes of 1986, is replaced by the following section:

**“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 his investment or deemed investment as a member of a qualified partnership at the end of a fiscal period of the partnership ending in that year.”

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

**71.** (1) Section 1027 of the said Act, amended by section 178 of chapter 15 of the statutes of 1986 and by section 188 of chapter 19 of the statutes of 1986, is again amended

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

“i. on or before the last day of each month of the current taxation year an amount equal to 107.25 % of  $\frac{1}{12}$  of its tax for the year estimated in accordance with section 1004, computed without reference to section 771.0.1, or of its first basic provisional account, established in the prescribed manner, for the year; or

“ii. on or before the last day of each of the first two months of the current taxation year, an amount equal to 107.25 % of  $\frac{1}{12}$  of its second basic provisional account, established in the prescribed manner, for the year and, on or before the last day of each of the following months of the year, an amount equal to 107.25 % of  $\frac{1}{10}$  of the excess of its first basic provisional account contemplated in subparagraph i over the amount computed in respect of the first two months of the year; and”;

(2) 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 under subparagraph i of subparagraph *a* of the first paragraph, for the year, established with reference to section 771.0.1, do not exceed \$1 000.”

(2) This section applies in respect of any payment to be made by a corporation for a taxation year ending after 1 May 1986; however, where subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 of the Taxation Act, enacted by paragraph 1 of subsection 1 of this section, apply to the computation of a payment to be made

by a corporation before 1 May 1986 for such a taxation year, they shall be read without reference to the figure and word "107.25 % of" wherever they appear.

**72.** (1) The said Act is amended by inserting, after section 1029.2, the following section:

**"1029.2.1** For the purposes of computing the amount that a corporation which is a qualified corporation for a taxation year, within the meaning of sections 771.5 to 771.7, is deemed under section 1029.2 to have paid to the Minister on the last day of the taxation year, the references in section 1029.2 to the tax payable by the corporation for the year under Part IV shall be read as references to the tax that would be payable by the corporation for that year under Part IV if no reference were made to sections 1138.0.1 and 1141.3."

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

**73.** (1) The said Act is amended by inserting, after section 1036, the following section:

**"1036.1** Where a penalty becomes exigible from a corporation as a result of the application of section 1049.2.4, the corporation and its subsidiary corporation referred to in paragraph *b* of section 965.11.6 are jointly and severally liable for the payment of the amount of the penalty.

The Minister may assess the subsidiary corporation referred to in the first paragraph at any time in respect of an amount payable under that paragraph, and this Title, adapted as required, applies to the assessment as if it were determined under Title II."

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

**74.** (1) Section 1038 of the said Act, amended by section 182 of chapter 15 of the statutes of 1986 and by section 191 of chapter 19 of the statutes of 1986, is again amended by replacing the third paragraph by the following paragraph:

"For the purposes of this section, any corporation required to pay an instalment under section 1027 is deemed to have been liable to pay instalments based on one of the methods contemplated in subparagraph *a* of the first paragraph of section 1027 that gives the lowest amount to be paid not later than the dates contemplated by the said subparagraph by reference to:



(a) its tax payable for the year, computed without reference to section 771.0.1, or its first basic provisional account, within the meaning of the regulations under subparagraph i of the said subparagraph, for the year; or

(b) its second basic provisional account, within the meaning of the regulations under subparagraph ii of the said subparagraph, for the year and its first basic provisional account, within the meaning of the regulations under subparagraph i of the said subparagraph, for the year."

(2) This section applies in respect of any payment that a corporation is bound to make after 10 May 1983; however, where subparagraph *a* of the third paragraph of section 1038 of the Taxation Act enacted by this section refers to section 771.0.1 of the said Act, it applies in respect of a payment that a corporation is bound to make for any taxation year ending after 1 May 1986.

**75.** (1) Section 1049.1 of the said Act, replaced by section 185 of chapter 15 of the statutes of 1986, is again replaced by the following section:

**"1049.1** A corporation that, in its final prospectus or an application for exemption from filing a prospectus, states falsely that the issued stocks or shares may be included in a stock savings plan described in section 965.2 is liable to a penalty equal to 25% of the adjusted cost that would be determined 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 25% of the amount by which the adjusted cost so stated in respect of each stock or share of the public issue distributed in Québec to an individual other than a trust or to an investment group exceeds the adjusted cost determined pursuant to section 965.6 in respect of each such stock or share."

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

**76.** (1) Sections 1049.2 to 1049.4 of the said Act, enacted by section 185 of chapter 15 of the statutes of 1986, are replaced by the following sections:

**“1049.2** Every corporation described in section 965.11.1 that contravenes section 965.11.2 is liable to a penalty equal to 25 % of the adjusted cost, determined under section 965.6, of each share of the issue distributed in Québec to an individual other than a trust or to an investment group.

**“1049.2.1** Where, at a particular time, a corporation purchases or redeems in any manner whatever, directly or indirectly, a share of any class of its capital stock other than a fractional share, issued with the stipulation that it could be included in a stock savings plan or belonging to a class of shares of its capital stock some of which were issued with such a stipulation, it is liable to a penalty equal to 25 % of the average adjusted cost, within the meaning of section 965.11.10, of each purchased or redeemed share or to 25 % of the amount by which the average adjusted cost, within the meaning of section 965.11.10, of the aggregate of the shares of the same class that were issued with such a stipulation and that have been issued as part of a public share issue in respect of which the date of the receipt for the final prospectus or of the exemption from filing a prospectus is in the year including the particular time or in the preceding two years, exceeds the average adjusted cost, within the meaning of section 965.11.10, of the aggregate of such shares in respect of which a penalty was incurred under this section before that time, whichever is the lesser.

The first paragraph does not apply to a share purchased or redeemed to comply with the requirements of an Act or the regulations governing any sector of activities.

**“1049.2.2** Where a corporation shares of whose capital stock were, at a particular time, the subject of a transaction or operation or series of transactions or operations and, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the redemption of a share of its capital stock which, in the year including the particular time or in the preceding two years, was issued with the stipulation in the final prospectus or in the application for an exemption from filing a prospectus, that it could be included in a stock savings plan, it is liable to a penalty equal to 25 % of the amount determined under section 965.11.9.

The first paragraph does not apply to any transaction or operation or series of transactions or operations in respect of a share to the extent that such a transaction or operation or series of transactions or operations is carried out to meet the requirements of an Act or the regulations governing a sector of activities.

**“1049.2.3** Where a corporation, as part of a public share issue, allows an individual other than one of its eligible employees, within the meaning of sections 965.6.9 to 965.6.11, to acquire a share under a stock ownership plan, within the meaning of paragraph *h.2* of section 965.1, it is liable to a penalty equal to 25% of the adjusted cost determined under section 965.6, of the shares so acquired.

**“1049.2.4** Where a corporation described in section 965.11.6 contravenes section 965.11.7, it is liable to a penalty equal to 25% of the adjusted cost, determined under section 965.6, of each share of the issue distributed in Québec to an individual who is not a trust or to an investment group.

**“1049.3** Every corporation that was a Québec business investment company, at any time after 7 September 1985, duly registered within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), whose registration is revoked under the said Act is liable to a penalty equal to 30% of the amount of an investment that is or would be a qualified investment within the meaning of the said Act if the registration were valid, made after the 730th day preceding the date of revocation.

**“1049.4** Every corporation that was at any time after 7 September 1985 a Québec business investment company duly registered within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), and 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.”

(2) Where this section replaces sections 1049.2, 1049.3 and 1049.4, and enacts section 1049.2.4 of the Taxation Act, it has effect from 2 May 1986.

(3) Where this section enacts sections 1049.2.1 and 1049.2.2 of the Taxation Act, it has effect from 7 May 1986.

(4) Where this section enacts section 1049.2.3 of the Taxation Act, it applies in respect of shares acquired under a stock ownership plan after 1 May 1986.

**77.** (1) Section 1049.6 of the said Act, enacted by section 185 of chapter 15 of the statutes of 1986, is amended

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

“(a) repay a creditor who is a shareholder of the company or of the qualified corporation or a person with whom the creditor does not deal at arm’s length or a corporation that is associated, within the meaning of the regulations under section 230.2, with the qualified corporation;”;

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

“(f) purchase or redeem shares of its capital stock except a purchase or redemption referred to in section 1049.5.”

(2) This section has effect from 2 May 1986. However, where this section amends section 1049.6 of the Taxation Act to replace paragraph *a* of that section, it applies in respect of investments made after 1 May 1986.

**78.** (1) Section 1049.10 of the said Act, enacted by section 185 of chapter 15 of the statutes of 1986, is replaced by the following section:

“**1049.10** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), that makes a considerable cash outflow in favour of its shareholders, the shareholders of a Québec business investment company which is not a Québec business investment company contemplated in section 4.1 of that Act, or persons related to such shareholders during the 24 months preceding the date of a qualified investment in the qualified corporation made, where such is the case, by that Québec business investment company 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.”

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

**79.** (1) The said Act is amended by inserting, after section 1049.11, the following sections:

“**1049.11.1** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), which, in the 12 months preceding the date of a qualified investment or in the 24 months following the date of such an investment, fails to pay to employees of an establishment situated in Québec at least 75 % of the salaries paid to its employees, is liable to a penalty equal to 30 % of the total amount of the investment.

**“1049.11.2** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1), which allows an individual other than one of its eligible employees, within the meaning of section 15.2 of the said Act, to acquire a share under a stock ownership plan, within the meaning of section 15.1 of the said Act, is liable to a penalty equal to 30% of the amount determined under section 965.31.1 in respect of that individual.”

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

**30.** (1) Sections 1049.12 to 1049.14 of the said Act, enacted by section 185 of chapter 15 of the statutes of 1986, are replaced by the following sections:

**“1049.12** Every qualified cooperative, within the meaning of the cooperative investment plan adopted 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 plan, before redemption of the issued shares, is reduced to less than 80% of its equity on 23 April 1985 by a reduction of its capital stock other than a redemption of common shares belonging 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 cooperative investment plan adopted 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 plan 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 cooperative investment plan adopted 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 plan is liable to a penalty equal to 50% of the amount of the qualifying securities so redeemed.”

(2) This section has effect from 2 May 1986; where this section replaces section 1049.12 of the Taxation Act, it has effect from 28 August 1985.

**81.** (1) Section 1081 of the said Act is amended by replacing subsection 1 by the following subsection:

**“1081.** (1) Where the result of one or more sales, exchanges, declarations of trust or other transactions of any kind, is that a person confers a benefit on a taxpayer, that person is deemed to have made a payment to the taxpayer equal to the amount of the benefit conferred, notwithstanding the form or legal effect of the transactions or the fact that one or more other persons were also parties thereto; and, whether or not there was an intention to avoid or evade taxes under this Part, the payment shall, depending upon the circumstances, be included in computing the taxpayer’s income or considered to be a disposition for no consideration.”

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

**82.** (1) Section 1089 of the said Act, amended by section 196 of chapter 19 of the statutes of 1986, is again amended by adding the following paragraph:

“Where the individual is also contemplated in the second paragraph of section 737.15, his income earned in Québec for a taxation year is the amount by which the amount determined for the year under the first paragraph exceeds that part of the amount which may reasonably be considered to be earned, with reference to the second paragraph of section 737.16, during that part of the prescribed period established in his regard which is included in that year, in accordance with the regulations under section 737.16.”

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

**83.** (1) Section 1090 of the said Act, amended by section 197 of chapter 19 of the statutes of 1986, is again amended by adding the following paragraph:

“Where the individual is also contemplated in the second paragraph of section 737.15, his income earned in Canada for any taxation year is the amount by which the amount determined for the year under the first paragraph exceeds that part of the amount which may reasonably be considered to be earned, with reference to the second paragraph of section 737.16, during that part of the prescribed period established in his regard which is included in that year, in accordance with the regulations under section 737.16.”

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

**84.** (1) Section 1091 of the said Act, amended by section 198 of chapter 19 of the statutes of 1986, is again amended by replacing paragraph *c* by the following paragraph:

“(c) where all or substantially all of the individual’s income for the year, as determined under section 28, is included in the computation of his taxable income earned in Canada for the year, such of the other deductions from income, except the deduction described in section 737.16, permitted for the purpose of computing his taxable income as may reasonably be considered wholly applicable.”

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

**85.** (1) Section 1091.1 of the said Act, enacted by section 193 of chapter 15 of the statutes of 1986, is repealed.

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

**86.** (1) Section 1128 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**1128.** A non-resident owned investment corporation which does not have, at any time in a taxation year, an establishment in Canada and which disposes of a taxable Québec property within the meaning of paragraphs *a* and *b* of section 1094 or property which would be such property if the corporation had not been resident in Canada at any time in the year must pay tax for the year at the rate established in subsection 1 of section 771 and in section 771.0.1 on the amount by which its taxable capital gains for the year resulting from the disposition of such property exceeds the aggregate of its allowable capital losses for the year resulting from the disposition of such property and the net capital losses incurred by it in respect of the disposition of such property during the preceding taxation years and the three taxation years following the taxation year.”

(2) This section applies in respect of the computation of taxes for a taxation year ending after 31 December 1982 and in respect of a net capital loss determined for a taxation year ending after 31 December 1983; however, where the first paragraph of section 1128 of the Taxation Act enacted by this section adds a reference to section 771.0.1 of the said Act, this section applies to a taxation year ending after 1 May 1986; similarly, where the said paragraph applies to a net capital loss determined for the taxation year 1984, it shall be read by replacing the word “three” therein by the word “two”.

**87.** (1) Section 1130 of the said Act, amended by section 198 of chapter 15 of the statutes of 1986, is again amended

(1) by inserting, before the definition of the expression “taxation year”, the following definition:

““farming” means farming within the meaning assigned by section 1;”;

(2) by replacing the definition of the expression “farming corporation” by the following definition:

““farming corporation” means a corporation whose activities consist mainly in carrying on the business of farming;”;

(3) by inserting, after the definition of the word “Minister”, the following definition:

““fishing” means fishing within the meaning assigned by section 1;”.

(2) This section applies to taxation years ending after 1 May 1986.

**88.** The said Act is amended by inserting, after section 1132, the following section:

**“1132.1** Every corporation contemplated in section 1131 shall add, to its tax payable contemplated in section 1132 for a taxation year ending after 1 May 1986, an amount equal to 7.25% of that tax.

Where the said taxation year includes 1 May 1986, the amount to be added under this section is such proportion of the amount that would otherwise be added under the first paragraph as the number of days in the year after 1 May 1986 is of the number of days in the year.”

**89.** (1) Section 1133 of the said Act is replaced by the following section:

**“1133.** Where a corporation contemplated in section 1131 has an establishment situated outside Québec, the tax payable by that corporation is equal to that part of the tax established pursuant to sections 1132 and 1132.1 represented by the ratio between the business carried on in Québec and the aggregate of the business carried on in Québec and elsewhere, as determined by regulation.”

(2) This section applies to taxation years ending after 1 May 1986.

**90.** (1) Section 1135 of the said Act, replaced by section 199 of chapter 15 of the statutes of 1986, is again replaced by the following section:



**“1135.** In no case can the tax payable by a corporation other than a farming corporation, a corporation whose activities consist mainly in carrying on a fishing business, a corporation that operates only an international financial centre or a corporation exempt pursuant to sections 1143 and 1144 be less than \$107.25 nor can the tax payable by a farming corporation or a corporation whose activities consist mainly in carrying on a fishing business be less than \$53.62.”

(2) This section applies to taxation years ending after 1 May 1986.

**91.** (1) The said Act is amended by inserting, after section 1138, the following section:

**“1138.0.1** Every corporation that is a qualified corporation for a taxation year, within the meaning of sections 771.5 to 771.7, may deduct \$2 000 000 in computing its paid-up capital for that year, following the application of section 1138.”

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

**92.** (1) Section 1138.1 of the said Act, enacted by section 203 of chapter 15 of the statutes of 1986, is replaced by the following sections:

**“1138.1** Every farming corporation or every corporation whose activities consist mainly in carrying on a fishing business may, where it is not contemplated in section 1138.0.1, deduct \$300 000 in computing its paid-up capital, following the application of section 1138.

Where the corporation is associated, within the meaning of the regulations under section 230.2, with one or several other corporations contemplated in the first paragraph, in any taxation year, the amount it may deduct for the year under this section is nil, unless all the corporations associated with each other during the year have filed with the Minister an agreement in prescribed form whereby they allocate an amount to one or several of them for the year, for the purposes of this section, and the amount or the aggregate of the amounts allocated, as the case may be, does not exceed \$300 000, in which case the amount which any of the corporations may deduct for the year under this section is the amount so allocated to it.

**“1138.2** For the purpose of section 1138.1, where two corporations have taxation years ending on different dates of the calendar year, they are not associated in a particular taxation year unless they are associated on a date which falls in that taxation year of each of them.”

(2) This section applies to taxation years ending after 1 May 1986; however, where section 1138.1 of the Taxation Act replaced by this

section applies to a taxation year including 1 May 1986, the following rules apply:

(a) for the purposes of computing the amount deductible for the year under the said section 1138.1 by a corporation whose activities consist mainly in carrying on a fishing business, the first paragraph of the said section shall be read by replacing the figure “\$300 000” by the following:

“an amount equal to such proportion of \$300 000 as is represented by the ratio between the number of days in the taxation year following 1 May 1986 and 365, without exceeding 365”;

(b) the second paragraph of the said section 1138.1 shall be read as follows:

“Where the corporation is associated, within the meaning of the regulations under section 230.2, with one or several other corporations contemplated in the first paragraph, in a taxation year, the amount it may deduct for the year under this section is nil, unless all the corporations associated with each other during the year have filed with the Minister an agreement in prescribed form whereby they allocate an amount to one or several of them for the year, for the purposes of this section, and the amount or the aggregate of the amounts allocated, as the case may be, does not exceed the highest amount deductible, but for this paragraph, by any of the corporations, for the year, under this section, in which case the amount deductible by any of the corporations for the year under this section is the amount so allocated to it, which shall in no case exceed the amount deductible, but for this paragraph, by that corporation for the year under this section.”

**93.** (1) The said Act is amended by inserting, after section 1141.2, the following section:

**“1141.3** Every corporation contemplated in this Title that is a qualified corporation for a taxation year, within the meaning of sections 771.5 to 771.7, may deduct \$2 000 000 in computing its paid-up capital for that year.”

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

**94.** (1) Section 1160 of the said Act, amended by section 205 of chapter 15 of the statutes of 1986, is again amended by replacing the first paragraph of subsection 1 by the following paragraph:

**“1160.** (1) Every corporation which, at any time in a taxation year, refines petroleum in Québec or allows its installations in Québec

to be used for that purpose 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 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."

(2) This section applies to taxation years of a corporation commencing after 23 April 1985.

**95.** (1) Section 1165 of the said Act, replaced by section 207 of chapter 15 of the statutes of 1986, is amended by adding the following paragraph:

"For the purposes of the first paragraph, section 1027 applies as if subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 were read without reference to the figure and word "107.25 % of" wherever they appear.

(2) This section applies in respect of any payment to be made by a corporation after 30 April 1986 for taxation years ending after 1 May 1986.

**96.** (1) Section 1175 of the said Act is replaced by the following section:

"**1175.** Sections 1000 to 1029 and 1030 to 1082 apply, adapted as required, to this Part except where they are inconsistent therewith.

For the purposes of the first paragraph, section 1027 applies as if subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1027 were read without reference to the figure and word "107.25 % of" wherever they appear."

(2) This section applies to taxation years ending after 10 March 1981; however, where this section enacts the second paragraph of section 1175 of the Taxation Act, it applies in respect of any payment to be made by an insurance corporation after 30 April 1986 for a twelve-month period ending after 1 May 1986.

**97.** (1) Section 1185 of the said Act is replaced by the following section:

**“1185.** Sections 17 to 21, 422 to 424, 1000 to 1029 and 1030 to 1086 and subparagraph *a* of section 1144 apply *mutatis mutandis* to this Part except where they are inconsistent therewith.”

(2) This section applies from 1 April 1979.

**98.** Section 34 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5) is amended by adding the following paragraph:

“Where wages are paid or deemed paid after 1 May 1986, the amount determined under the first paragraph in respect of such wages shall be increased by 7.25%.”

**99.** Section 9 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1), replaced by section 219 of chapter 15 of the statutes of 1986, is amended by inserting, after the second paragraph, the following paragraph:

“The amounts of \$85 and \$170 indicated in the first and second paragraphs are increased to \$100 and \$200, respectively, in respect of the computation of any real estate tax refund for the year 1987 and for subsequent years.”

**100.** (1) Section 10.1 of the said Act, enacted by paragraph 2 of subsection 1 of section 220 of chapter 15 of the statutes of 1986, is replaced by the following sections:

**“10.1** The amount referred to in section 7 for a year is equal

(a) subject to section 10.2, in the case of a person contemplated in subparagraph *a* of the first paragraph of section 2, to the aggregate of the amounts deducted by the person and that person's spouse for the year under sections 695 and 695.2 to 701 of the Taxation Act, except the amounts deducted under paragraph *g* of section 695 of that Act for that year and the amounts deducted by the spouse for the year under paragraph *a* of section 695 and under the part of that section which precedes that paragraph;

(b) subject to section 10.3, in the case of a person contemplated in subparagraph *b* or *c* of the first paragraph of section 2, to the aggregate of the amounts deducted by the person under sections 695 to 701 of the Taxation Act for the year, except the amounts deducted by the person under paragraphs *a* and *g* of section 695 of that Act for the year.

**“10.2** For the purposes of paragraph *a* of section 10.1, the following rules apply:

(a) where neither the person contemplated in subparagraph *a* of the first paragraph of section 2 nor the spouse of that person deducts an amount under section 695.1 of the Taxation Act for a year, the amount deducted by the person contemplated in subparagraph *a* of the first paragraph of section 2 under paragraph *a* of section 695 of the Taxation Act for the year is deemed to be equal to the amount the person could deduct under subparagraph *a* of the said section 695 for the year if

- i. the word “spouse” had, in subparagraph *a* of section 695 of the Taxation Act, the meaning assigned in paragraph *a* of section 1, and
- ii. the spouse of the person had no income for the year;

(b) where the person contemplated in subparagraph *a* of the first paragraph of section 2 or the spouse of that person deducts an amount for a year under section 695.1 of the Taxation Act in respect of a dependent person, the amount deducted by the person contemplated in subparagraph *a* of the first paragraph of section 2 under paragraph *a* of section 695 of the Taxation Act for the year is deemed to be equal to the aggregate of the amount that the person could deduct under paragraph *a* of the said section 695 for the year and the amount that the person could deduct in respect of the dependent person under paragraph *c* of the said section 695 for the year if

- i. the word “spouse” had, in paragraph *a* of section 695 of the Taxation Act, the meaning assigned by paragraph *a* of section 1;
- ii. the spouse of the person had no income for the year; and
- iii. the person made no deduction under section 695.1 for the year.

**“10.3** For the purposes of paragraph *b* of section 10.1, if a person contemplated in subparagraph *b* of the first paragraph of section 2 deducts an amount under section 695.1 of the Taxation Act, the amount is deemed to be equal to the amount the person could deduct under that section if the dependent person contemplated therein had no income for that year.”

(2) This section applies in respect of the computation of real estate tax refunds for the year 1986 and for subsequent years.

**101.** (1) Section 2 of the Fuel Tax Act (R.S.Q., chapter T-1), replaced by section 15 of chapter (*insert here the chapter number of Bill 78*) of the statutes of 1986, is again replaced by the following section:

**“2.** Every person who in any way acquires in Québec any of the following categories of fuel for purposes other than resale shall pay to the Minister, on each litre of that fuel, a tax equal to

(a) \$0.1365 per litre of regular leaded gasoline, which includes benzol, a mixture of benzol and another substance, butane gas and liquified petroleum gas;

(b) \$0.1470 per litre of high-octane leaded gasoline, which includes all categories of leaded gasoline other than regular leaded gasoline;

(c) \$0.1440 per litre of regular so-called unleaded gasoline;

(d) \$0.1470 per litre of high-octane so-called unleaded gasoline;

(e) \$0.1245 per litre of fuel oil;

(f) \$0.0825 per litre of propane gas.

Such tax is, however, reduced when the fuel is delivered to the purchaser by a retail dealer in border regions, peripheral regions, specified regions or regions bordering on peripheral or specified regions.

However, in the case of the acquisition of gasoline to be used for supplying aircraft engines or of coloured fuel oil for supplying railroad locomotive engines, the tax shall be 9% of the sale price to the consumer.

For the purposes of the second paragraph, the Government may, by regulation,

(a) define the expressions “peripheral region”, “border region” and “specified region”;

(b) fix the percentage of the reduction;

(c) determine which categories of fuel are affected by the reduction;

(d) prescribe the conditions and modalities of application of the reduction.”

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

**102.** (1) Sections 4 to 8 of the said Act are repealed.

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

**103.** (1) Section 10.1 of the said Act is replaced by the following sections:

**“10.1** A public carrier who meets the requirements prescribed by regulation is entitled, provided he applies therefor on a form prescribed by the Minister, to the reimbursement of that proportion of the tax that exceeds 66.67% of the amount determined under the first paragraph of section 2 and paid by him in the year on the fuel that was used to supply the engine of each bus while it was assigned to providing public transport as defined by regulation.

For the purposes of this section, “public carrier” means a public body providing public transport, a municipality, an intermunicipal management board, an intermunicipal board of transport, any holder of a public transport permit issued under the Transport Act (R.S.Q., chapter T-12) and any carrier which is a party to a contract entered into under section 467 of the Cities and Towns Act (R.S.Q., chapter C-19), article 525 of the Municipal Code of Québec (R.S.Q., chapter C-27.1) or section 3 of the Act respecting intermunicipal boards of transport in the area of Montréal (R.S.Q., chapter C-60.1).

**“10.2** An Indian or a Band is entitled, provided he or it applies therefor on the form prescribed by the Minister within the time, on the conditions and according to the modalities prescribed by regulation, to the reimbursement of the tax paid by him or it on the fuel purchased for his or its own consumption from a fuel retail outlet operated on a reserve by a retail dealer holding a registration certificate issued under this Act and a retailer’s permit issued under the Petroleum Products Trade Act (R.S.Q., chapter C-31).

For the purposes of this section, the Government may make regulations to define the words “Indian”, “Band” and “reserve”.”

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

**104.** Section 56 of the said Act, amended by section 16 of chapter (*insert here the chapter number of Bill 78*) of the statutes of 1986, is again amended by adding the following paragraph:

“Notwithstanding the first paragraph, regulations made in the year 1987 under this Act in respect of the tax reduction in the regions referred to in the second paragraph of section 2 or the tax refund to which a public carrier in accordance with section 10.1 or an Indian or a Band in accordance with section 10.2 is entitled may, once published and if they so provide, apply to any date preceding their publication but not earlier than 2 May 1986.”

**105.** This Act comes into force on (*insert here the date of assent to this Act*).