

NATIONAL ASSEMBLY

FIRST SESSION

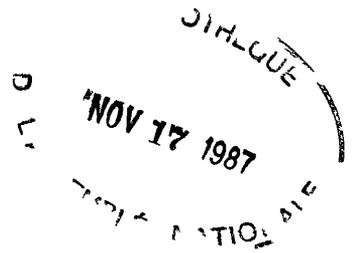
THIRTY-THIRD LEGISLATURE

Bill 105

An Act to amend the Act respecting Québec business investment companies

Introduction

**Introduced by
Mr Daniel Johnson
Minister of Industry and Commerce**



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EXPLANATORY NOTES

The object of this bill is to amend the Act respecting Québec business investment companies to give effect to the Budget Speech of 30 April 1987 and the Minister's statements of 11 December 1986 and 18 June 1987.

The bill adapts the rules applicable to fledgling businesses so as to promote their development.

Moreover, it provides that a single class of shares with full voting rights will qualify for the tax deduction.

In addition, the bill allows a QBIC to allocate, to the shareholders it selects, an amount as participation in a qualified investment.

Also included in the bill are a number of technical amendments following from the Minister's statements, designed to facilitate the administration of the Act.

Bill 105

An Act to amend the Act respecting Québec business investment companies

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. Section 2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) is amended by adding, at the end, the following words: “and that its share capital is made up of a single class of common shares with full voting rights issued in a single series.”

2. Section 5 of the said Act is amended by adding, after the first paragraph, the following paragraph:

«Notwithstanding the first paragraph, where a share of a given class or of a given series of a given class of the share capital of a company is a common share with full voting rights on 30 April 1987 or at the time of registration in the case of a company registered after that date, and where such a share would no longer be, but for this paragraph, a common share with full voting rights because of a change in the share capital of the company, unless otherwise decided by the Société de développement industriel du Québec, the following rules apply:

(1) any share of the given class or of the given series is deemed to be a common share with full voting rights;

(2) every other share of the share capital of the company is deemed not to be a common share with full voting rights.”

3. Section 6 of the said Act is replaced by the following section:

«**6.** The Société de développement industriel du Québec may prescribe the form and content of

(1) an application for the registration of a company;

(2) an application for the validation of an investment in a qualified corporation.”

4. The said Act is amended by inserting, after section 12, the following section:

«**12.1** For the purposes of section 12, where, in the opinion of the Société de développement industriel du Québec, the investment is made in a fledgling corporation, the condition provided

(1) in subparagraph 4 of the third paragraph of the said section must be met only during the two years following the acquisition of a qualified investment in that corporation;

(2) in subparagraph 5 of the third paragraph of the said section must be met within four months after the date of acquisition of the qualified investment.”

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

«**15.0.1** Where new common shares with full voting rights of a company are subscribed and paid and where the company uses its funds to make a qualified investment, the company may allocate to the shareholders it selects an amount as participation in a qualified investment not exceeding the amount of the investment or the financial commitment of each shareholder within the meaning of paragraph *b.1* of section 965.29 of the Taxation Act (R.S.Q., chapter I-3), enacted by section 63 of chapter 21 of the statutes of 1987.

To be valid, the allocation must be approved by the Société de développement industriel du Québec.

«**15.0.2** For the purposes of this Act, a participation in a qualified investment has the meaning assigned by paragraph *c* of section 965.29 of the Taxation Act.

«**15.0.3** For the purposes of this Act, a person is deemed to hold a share with full voting rights of the share capital of a qualified corporation where the share is held by a corporation that the person controls alone or with persons related to him or by a subsidiary of such a corporation or a subsidiary of such a subsidiary.”

6. Section 16 of the said Act is amended

(1) by inserting, after subparagraph 2 of the first paragraph, the following subparagraph:

«(2.1) determine the information that a company shall furnish with respect to any change concerning its shareholders, its share capital and its qualified investments;”;

(2) by replacing subparagraph 5 of the first paragraph by the following subparagraph:

«(5) define the expressions “arm’s length”, “associated corporation”, “fledgling corporation”, “related person” and “venture capital corporation”;”.

7. Section 1 applies to companies registered after (*insert here the date of coming into force of this Act*).

8. Section 2 has effect from 1 May 1987.

9. Section 4 applies to investments made after 30 April 1987.

10. Sections 15.0.1 and 15.0.2 of the Act respecting Québec business investment companies, enacted by section 5 of this Act, apply to investments made after 10 December 1986.

Section 15.0.3 of the Act respecting Québec business investment companies, enacted by section 5 of this Act, applies to investments made after 30 April 1987.

11. The Government may determine that certain regulatory provisions adopted under the Act respecting Québec business investment companies have effect from 1 May 1987.

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