

FOURTH SESSION
THIRTY-FIRST LEGISLATURE

ASSEMBLÉE NATIONALE DU QUÉBEC

Bill 14

**An Act to amend the Taxation Act and to amend the
Act to amend the Taxation Act and certain fiscal legislation**

First reading
Second reading
Third reading

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Ministre du revenu

L'ÉDITEUR OFFICIEL DU QUÉBEC

EXPLANATORY NOTES

This bill gives effect to the policy statement made by the Ministre des finances on 7 November 1978 and contains most of the amendments proposed to the federal law by Bills C-56 and C-59, assented to on 30 June 1978, particularly those respecting an additional deduction for scientific research, revision of the rules governing the transfer of agricultural property by a farmer to his child, the inclusion of rules permitting an individual to defer capital gains on a transfer of shares to his children, and the inclusion of rules respecting a registered retirement income fund.

This bill also gives effect to the policy statements made by the Ministre des finances on 9 November 1978 concerning the deduction of certain expenses for meals and lodging, and on 21 December 1978 concerning the treatment to be accorded recipients of stock dividends, which is identical to that existing under the federal law.

Finally, this bill contains measures to make certain rules more precise, to broaden provisions regarding the right to certain deductions, and generally to facilitate the application of the Taxation Act.

Sec. 1. Section 1 amends the definition of "dividend" and gives the definitions of certain other expressions.

Bill 14

An Act to amend the Taxation Act and to amend the
Act to amend the Taxation Act and certain fiscal legislation

HER MAJESTY, with the advice and consent of the Assemblée
nationale du Québec, enacts as follows:

1972, c. 23,
s. 1, am.

1. (1) Section 1 of the Taxation Act (1972, chapter 23), amended by section 31 of chapter 26 of the statutes of 1972, section 1 of chapters 17 and 18 of the statutes of 1973, section 1 of chapters 21 and 22 of the statutes of 1975, section 1 of chapter 26 of the statutes of 1977 and by section 1 of chapter 26 of the statutes of 1978, is again amended:

(a) by replacing the definition of the expression “dividend” by the following definitions:

“dividend”; “dividend” includes a stock dividend, other than a stock dividend that was paid

(a) before 1972;

(b) after 1976, by a corporation other than a corporation resident in Canada; or

(c) after 31 March 1977, by a public corporation either to a person not resident in Canada, other than a person who, either alone or together with other persons related to him, owns more than 10 per cent of the shares of the class of the capital stock of the corporation on which the stock dividend was paid, or to a person resident in Canada, other than a non-resident owned investment corporation, that, either alone or together with other persons related to it, owns more than 10 per cent of the shares of the class of the capital stock of the corporation on which the stock dividend was paid;

“stock
dividend”;

and “stock dividend” includes any dividend paid by a corporation to the extent that it is paid by the issuance of shares of any class of its capital stock;”;

Sec. 2. Section 2 establishes certain rules concerning corporations having a fiscal period of over 365 days.

Sec. 3. Section 3 specifies the rules concerning the control of a corporation at the time of an amalgamation.

(b) by inserting, after the definition of the expression “restricted farm loss”, the following definition:

“retirement income fund”;

“ “retirement income fund” means an arrangement contemplated in section 693z;”

and by inserting, after the definition of the expression “registered education savings plan”, the following definition:

“registered retirement income fund”;

“ “registered retirement income fund” means a retirement income fund registered with the Minister or deemed to be so in accordance with section 693y;”;

(c) by inserting, after the definition of the expression “investment corporation”, the following definition:

“law”;

“ “law” includes laws other than the legislative statutes of Québec;”;

(d) by inserting, before the definition of the expression “allowable capital loss”, the following definition:

“allowable business investment loss”;

“ “allowable business investment loss” has the meaning given to it by section 218;”.

(2) Paragraph *a* of subsection 1 applies after 31 March 1977.

(3) Paragraph *b* of subsection 1 has effect from 30 June 1978.

(4) Paragraph *c* of subsection 1 applies to the taxation year 1972 and subsequent taxation years.

(5) Paragraph *d* of subsection 1 applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 6*a*,
added.

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

Fiscal period exceeding 365 days.

“**6a.** Where the fiscal period of a corporation exceeds 365 days and by reason thereof the corporation does not have a taxation year that ends in a particular calendar year, for the purposes of this Part the corporation’s first taxation year ending in the immediately following calendar year is deemed to end on the last day of the particular calendar year.”

(2) This section applies in respect of a taxation year ending after 1978.

1972, c. 23,
s. 16*c*,
replaced.

3. (1) Section 16*c* of the said act, enacted by section 3 of chapter 26 of the statutes of 1978, is replaced by the following section:

Control deemed not to be acquired.

“**16c.** Where shares of a particular corporation are acquired by a person after 31 March 1977, that person is deemed not to

Sec. 4. Section 4 provides for a deduction for allowable business investment losses from income from any source.

Sec. 5. Section 5 provides concordance with section 6.

Sec. 6. Section 6 broadens the deduction of expenses for meals and lodging to include certain persons collecting or delivering goods.

have acquired control of that corporation by virtue of that share acquisition if that person was, immediately before that acquisition, related to the corporation, if he acquires the shares by way of a distribution of the property from the estate of a person with whom he was related or if he is testamentary executor, trustee or administrator of an estate who acquires the shares by virtue of the death of another person or is a new corporation resulting from an amalgamation, within the meaning of section 422, in respect of which each of the predecessor corporations was related to the particular corporation immediately before the amalgamation.”

(2) This section applies in respect of a taxation year ending after 31 March 1977.

1972, c. 23,
s. 23, am.

4. (1) Section 23 of the said act is amended:

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

“ii. the amount by which his allowable capital losses for the year from disposition of property other than precious property exceed his allowable business investment losses for the year; and”;

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

“ii. the losses incurred in the year by the taxpayer from an office, employment, business or property and his allowable business investment losses for the year and, if there is a remainder,”.

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 57, am.

5. (1) Section 57 of the said act, amended by section 5 of chapter 26 of the statutes of 1977, is again amended by replacing the second paragraph by the following paragraph:

“An individual shall not claim a deduction under this section if he receives an allowance for travelling expenses that he is not required to include in computing his income under paragraph *e* of section 33 or under section 34, or if he claims any deduction for the year under section 56, 59*a*, 60 or 61.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 59*a*,
added.

Meals and
lodging
expenses
in respect
of specified
employees.

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

“**59*a*.** An individual who regularly collects or delivers goods for his employer by means of vehicles that are used by the em-

Sec. 7. *Section 7 specifies a reference to the Québec Health Insurance Board Act.*

Sec. 8. *Section 8 requires the Minister to make reassessments of taxes, interest and penalties in certain cases.*

Sec. 9. *Section 9 provides concordance with the amendment made to the definition of the expression "stock dividend".*

ployer to transport goods away from the municipality, or, as the case may be, the metropolitan area where the employer's establishment to which he ordinarily reports for work is located, may deduct the amounts he disburses in the year for meals and lodging while his duties require him to be away for at least twelve consecutive hours from that municipality or metropolitan area or to go to a place located at least 80 kilometres from it, to the extent that he is not reimbursed for these expenses and is not entitled to be reimbursed."

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 68a,
replaced.

7. (1) Section 68a of the said act, enacted by section 2 of chapter 21 of the statutes of 1975, is replaced by the following section:

Premium
deductible
by an
individual
who is an
employer.

"68a. An individual who may deduct the salary paid to another person under section 72, may also deduct any amount payable by him in the year in respect of the salary of such person as an employer's premium under the Unemployment Insurance Act, 1971 (Statutes of Canada), or as an employer's contribution under the Québec Pension Plan or under any similar plan within the meaning of paragraph *u* of section 1 of the Québec Pension Plan or under the Québec Health Insurance Board Act (1969, chapter 53)."

(2) This section has effect from 1 January 1978.

1972, c. 23,
s. 86a,
added

8. (1) The said act is amended by inserting, after section 86, the following section:

Reassess-
ments.

"86a. Where a taxpayer has made an election under section 86, the Minister shall make such reassessments of tax, interest or penalties as are necessary for the application of that section."

(2) This section applies in respect of an election relating to the disposition of property after 31 March 1977.

1972, c. 23,
s. 101,
replaced.

9. (1) Section 101 of the said act, replaced by section 27 of chapter 26 of the statutes of 1978, is again replaced by the following section:

Provision
not to
apply.

"101. Section 100 does not apply if the amount or value mentioned therein is deemed to be a dividend under sections 398 to 404 and 405 or if it arises out of the reduction of capital of a corporation, the acquisition, the cancellation or the redemption by it of shares of its capital stock or the winding-up, discontinuance or reorganization of its business, a transaction to which sections 434 to 440c apply, the payment of a dividend or a stock

Sec. 10. Section 10 broadens the exception provided for the purchase of shares of a related corporation.

Sec. 11. Section 11 provides concordance with section 14.

Sec. 12. Section 12 provides for a deduction with regard to certain foreign taxes paid in respect of investment income or of a business income earned in Canada.

dividend, or the conferring on all holders of common shares of the capital stock of the corporation of a right to buy additional common shares from that corporation.”

(2) This section applies after 31 March 1977.

1972, c. 23,
s. 103,
replaced.

10. (1) Section 103 of the said act, replaced by section 28 of chapter 26 of the statutes of 1978, is amended by replacing the second paragraph by the following paragraph:

Idem.

“Section 102 also does not apply where the person to whom the loan is granted is also an employee of the lender, if such arrangements are made and if that loan is granted to that person to enable or assist him to purchase or erect a dwelling house for his own use, to purchase an automobile to be used by him in the performance of his duties, or, where the lender is a corporation, to purchase for his own benefit fully paid shares of the corporation sold to him by the latter, or fully paid shares of the capital stock of a corporation related to the lender sold to him by that related corporation.”

(2) This section applies in respect of a loan granted after 31 March 1977.

1972, c. 23,
s. 124, am.

11. (1) Section 124 of the said act is amended by replacing paragraph *a* by the following paragraph:

Scientific
research;

“(a) an amount in respect of scientific research, except as provided by sections 210 to 217j;”.

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 134a,
added.

12. (1) The said act is amended by inserting, after section 134, the following section:

Deduction
in respect
of specified
income or
profits tax.

“**134a.** A taxpayer, in computing his income for a taxation year, may deduct such amount as he may claim not exceeding the aggregate of any income or profits tax paid by him for the year to the government of a country other than Canada or to a political subdivision of such a country, to the extent that such taxes have not been paid in respect of the taxpayer’s income for the year from a business, attributable to an establishment situated in such country, were not deductible, under section 134, in computing the income of the taxpayer for the year and cannot be reasonably regarded as having been paid by a corporation in respect of income from a share of the capital stock of a foreign affiliate of the corporation.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

Sec. 13. *Section 13 provides concordance with section 14.*

Sec. 14. *Section 14 establishes rules for an additional allowance in respect of scientific research.*

1972, c. 23,
s. 212a,
replaced.

13. (1) Section 212a of the said act, enacted by section 34 of chapter 22 of the statutes of 1975, is replaced by the following section:

Applica-
tion of
sections
210 to 212.

“212a. The aggregate of the amounts that may be deducted by a taxpayer under sections 210 to 212 shall be reduced by the aggregate of the amount prescribed and the amounts paid to him in the year or in a previous taxation year ending after 1973 on the terms and conditions contemplated in the regulations made under section 212. However, no amount may be deducted under the said sections except to the extent that it was not deducted in computing the income of the taxpayer for a previous taxation year.”

(2) This section applies to the taxation year 1977 and subsequent taxation years.

1972, c. 23,
Division
XII,
ss. 217a to
217j,
added.

14. (1) The said act is amended by inserting, after section 217, the following division and sections:

“DIVISION XII

“ADDITIONAL ALLOWANCE FOR SCIENTIFIC RESEARCH

Defini-
tions:
“research
property”;

“217a. In this division and in sections 428a, 428b and 439i, (a) “research property” of a corporation means property referred to in paragraph a of section 211 acquired by the corporation by virtue of an expenditure made by it after its taxation year 1977 that had not been used for any purpose whatever before it was acquired;

“qualified
expen-
diture”;

(b) “qualified expenditure” of a corporation for a taxation year means the aggregate of expenditures, other than prescribed expenditures, made in Canada in the year by the corporation in respect of scientific research or to acquire property that had not been used for any purpose whatever before it was acquired, that are expenditures referred to in subsection 1 of section 210 or in paragraph a of section 211, as the case may be;

“expen-
diture
base”;

(c) “expenditure base” of a corporation for a particular taxation year means the product obtained when the amount by which the qualified expenditure made by the corporation in each taxation year comprised in its base period or, in the case of a new corporation resulting from an amalgamation within the meaning of section 422, in its base period, exceeds the aggregate of the amounts referred to in paragraphs a to c of section 217c paid to the corporation in such year or base period, as the case may be, is multiplied by the proportion that the number of days in the particular year is of the number of days in its base period;

“base period”;

(*d*) “base period” of a corporation for a particular taxation year means, subject to section 428*a*,

i. in the case of a corporation having a period of three consecutive taxation years, the first of which commences at any time after the end of its taxation year 1976 and the last of which ends immediately before the particular taxation year, that period; and

ii. in any other case, the period commencing on the later of the first day of the first taxation year of the corporation and the first day of its taxation year 1977 and ending immediately before the particular taxation year;

“scientific research”.

(*e*) “scientific research” has the meaning given to that expression by regulation.

Associated corporation.

“**217*b***. For the purposes of this division, a corporation is associated with another corporation in a taxation year if it is so designated by regulation.

Additional deduction in respect of scientific research.

“**217*c***. A corporation carrying on business in Canada other than a corporation referred to in section 217*d* may, in computing its income for a taxation year, deduct an amount equal to one-half of the amount by which the qualified expenditure made by the corporation in the year exceeds the aggregate of the expenditure base of the corporation for the year and the aggregate of all amounts paid to the corporation in the year by

(*a*) Her Majesty in right of Canada or a province in respect of scientific research;

(*b*) a corporation resident in Canada for scientific research related to the business of the latter; or

(*c*) a corporation not resident in Canada if it is entitled to the deduction provided under paragraph *d* of subsection 1 of section 210, in respect of the amount so paid.

Idem.

“**217*d***. A corporation carrying on a business in Canada that is associated in a particular taxation year with another such corporation may, in computing its income for that particular year, deduct an amount equal to one-half of the product obtained when an amount computed under section 217*e* is multiplied by the proportion represented by the ratio between

(*a*) the amount by which the qualified expenditure made by the corporation in the particular year exceeds the aggregate that would have been described in section 217*c* in respect of the corporation if the latter section had applied to it; and

(*b*) the aggregate of the excess amount referred to in paragraph *a* in respect of the corporation for the particular year and the excess amount referred to in paragraph *a* in respect of each

other corporation with which it is associated in the particular year for that other corporation's taxation year ending in the calendar year in which the particular year ended.

Additional
deduction
in respect
of scientific
research.

“217e. The amount referred to in section 217*d* is equal to the amount by which the aggregate of the qualified expenditure made by the corporation for the particular year and the qualified expenditure made by every other corporation with which the corporation is associated in the particular year for that other corporation's taxation year ending in the calendar year in which the particular year ended, exceeds the aggregate of

(a) the expenditure base of the corporation for the particular year;

(b) the expenditure base of each other corporation associated in the particular year with the corporation for that other corporation's taxation year ending in the calendar year in which the particular year ended; and

(c) the amounts that would be referred to in paragraphs *a* to *c* of section 217*c*, if that section were applicable, paid to the corporation in the particular year or to another corporation associated in the particular year with the corporation if, in this latter case, such amounts were paid in this other corporation's taxation year ending in the calendar year in which the particular year ended.

Corpora-
tions
deemed
to be
asso-
ciated.

“217f. For the purpose of computing the allowance referred to in section 217*c* or 217*d* in respect of a particular corporation for a particular taxation year, where another corporation was not associated with the particular corporation in the particular year but was associated with the particular corporation in a taxation year in the particular corporation's base period for the particular year, and all or substantially all of the property of that other corporation used by it in carrying on any business during that base period, was acquired in any manner whatever by the particular corporation, or by a corporation associated with the particular corporation in the particular year, the other corporation is deemed, notwithstanding that it may have ceased to exist, to be a corporation associated with the particular corporation in the particular year and to have had taxation years ending on anniversaries of the last day of its taxation year in which it was last associated with the particular corporation.

Applica-
tion of
s. 217*f*.

“217g. Section 217*f* does not apply if the other corporation is a predecessor corporation, referred to in section 422, in respect of the particular corporation or in respect of a corporation associated with the particular corporation in the particular year or if

it is a subsidiary corporation, referred to in section 434, that was wound up before the particular year, if its parent corporation was the particular corporation or a corporation associated with the particular corporation in the year.

Qualified expenditure deemed to have been made.

“217h. Where a corporation has in a taxation year ending in a particular calendar year made a payment to another corporation with which it is associated in the taxation year, the following rules apply for the purposes of this division:

(a) if the payment so made would otherwise be included in the qualified expenditure made by the corporation in the taxation year, such portion of the payment as may reasonably be regarded as having been made on account of scientific research to be effected by the other corporation in a taxation year ending after the particular calendar year is deemed to have been paid on the last day of such latter taxation year; and

(b) if the payment is received by the other corporation in a taxation year ending in a calendar year preceding the particular calendar year, and that payment may reasonably be regarded as a payment to that other corporation on account of scientific research to be effected by it in a taxation year following the year in which the payment was received by it, the payment is deemed to have been made to it on the last day of that following taxation year.

Disposition of research property.

“217i. Where at any time in a particular taxation year a corporation disposes of a research property, otherwise than in the case provided for in section 217j, there shall be included in computing the income of the corporation for the year, an amount equal to the lesser of

(a) one-half of the lesser of the fair market value of the property and the capital cost to the corporation of the property at that time, and

(b) the amount by which

i. the aggregate of the amounts deducted by it under section 217c or 217d in computing its income for each taxation year commencing before that time and the amounts that a corporation with which it is associated in the particular year has deducted under such sections in computing its income for any taxation year ending in or before the particular year, exceeds

ii. the aggregate of the amounts included by it, under this section, in computing its income for each taxation year commencing before that time and the amounts that a corporation with which it is associated in the particular year has included, under this section, in computing its income for each taxation year ending in or before the particular year.

Sec. 15 to 18. *Sections 15 to 18 provide the rules governing the computation of allowable business investment losses.*

Capital
cost of
research
property.

“217j. Where at any time in a taxation year section 406 or 434 applies with respect to a disposition of research property by a particular corporation to another corporation with which it is associated in the year, the following rules apply for the purposes of section 217*i* and this section:

(a) the property is deemed to be a research property of the other corporation; and

(b) where the capital cost to the particular corporation of the property exceeds its proceeds of disposition, the capital cost to the other corporation is deemed to be the capital cost of the property to the particular corporation.”

(2) This section, to the extent that it enacts section 217*b* of the Taxation Act, applies to any taxation year ending after 1976.

(3) This section, to the extent that it enacts section 217*a* and sections 217*c* to 217*j* of the Taxation Act, applies to any taxation year ending after 1977 and before 1989.

However, where it applies to a taxation year commencing before 1978 or ending after 1987, the amount that a corporation may deduct under section 217*c* or 217*d* of the Taxation Act is that proportion of that amount that would otherwise be deductible that the number of days in the year after 1977 or before 1988, as the case may be, is of the number of days in the year.

Moreover, where it is applicable with respect to the disposition of research property, this section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 218, re-
placed.

15. (1) Section 218 of the said act is replaced by the following section:

Meaning
of:
“taxable
capital
gain”,
“allowable
capital
loss”,
“allowable
business
invest-
ment loss”.

“218. A taxable capital gain, an allowable capital loss or an allowable business investment loss is one-half of the capital gain, one-half of the capital loss or one-half of the allowable business investment loss, as the case may be, from the disposition of any property.

Compu-
tation.

The capital gain, the capital loss or the business investment loss shall be computed in accordance with this title in reference to the taxation year during which the disposition of the property takes place, unless otherwise provided in this Part.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 219*a*,
added.

16. (1) The said act is amended by inserting, after section 219, the following section:

Sec. 19. Section 19 extends the rules respecting deductible losses to a disposition in favour of a registered retirement income fund.

Business
invest-
ment loss.

“219a. A business investment loss arises from the disposition, after 1977, of any property that is a share of the capital stock of a Canadian-controlled private corporation or that is a debt owing to the taxpayer by such a corporation.

Restriction.

However, unless section 275 applies, the disposition of property shall not give rise to a business investment loss where the property is being disposed of by a taxpayer to a person with whom he does not deal at arm’s length or, where the property is being disposed of by a corporation, if the property is a debt owed to it by a corporation with which it does not deal at arm’s length.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 220,
replaced.

17. (1) Section 220 of the said act is replaced by the following section:

Restriction.

“220. An amount shall not constitute a capital gain, a capital loss or a business investment loss to the extent that it must otherwise be included or may otherwise be deducted in computing the income of the taxpayer for the year or any other year.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 222a,
added.

18. (1) The said act is amended by inserting, after section 222, the following section:

Compu-
tation of
a tax-
payer’s
business
invest-
ment loss.

“222a. A business investment loss is computed by subtracting, from the loss determined in accordance with this title, the amount that must be included after 1977 in computing the adjusted cost base of the property disposed of, pursuant to paragraph *b* of section 417.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 226a,
am.

19. (1) Section 226a of the said act, enacted by section 23 of chapter 26 of the statutes of 1977 and amended by section 40 of chapter 26 of the statutes of 1978, is again amended by replacing paragraph *a* by the following paragraph:

“(a) a trust governed by a profit sharing plan, a deferred profit sharing plan, a registered home ownership savings plan or a registered retirement income fund under which the taxpayer is a beneficiary or immediately after the disposition becomes a beneficiary; or”.

(2) This section has effect from 30 June 1978.

Sec. 20. *Section 20 changes the amount that must be included in the adjusted cost base of an interest in a partnership at the time of disposition of a life insurance policy.*

Sec. 21. *Section 21 provides for conversion to the International Unit System (SI).*

Sec. 22. *Section 22 extends the rules respecting deemed dispositions of bad debts to the shares of a bankrupt corporation.*

1972, c. 23,
s. 237,
am.

20. (1) Section 237 of the said act, amended by section 23 of chapter 17 of the statutes of 1973, section 13 of chapter 18 of the statutes of 1974, section 42 of chapter 22 of the statutes of 1975, section 24 of chapter 26 of the statutes of 1977 and by section 43 of chapter 26 of the statutes of 1978, is again amended by replacing subparagraph iii of paragraph *g* by the following subparagraph:

“iii. the share of the taxpayer in the amount by which any proceeds of a life insurance policy received by the partnership after 1971 and before the particular time by reason of the death of any person whose life was insured under that policy exceed the adjusted cost base of that policy, within the meaning of section 707, to the partnership, immediately before that death;”.

(2) This section applies in respect of the proceeds of a life insurance policy received after 31 March 1977.

1972, c. 23,
s. 263a,
replaced.

21. (1) Section 263a of the said act, enacted by section 6 of chapter 21 of the statutes of 1975 and replaced by section 28 of chapter 26 of the statutes of 1977, is again replaced by the following section:

Exception
to principal
residence
rules.

“**263a.** A taxation year in which a taxpayer does not inhabit his principal residence as a consequence of the relocation of his or his spouse’s place of employment while he or his spouse, as the case may be, is employed by a person with whom he or his spouse is dealing at arm’s length shall not be included in the four years mentioned in section 263, provided that his new home is at any time at least 40 kilometres closer to his new place of employment or that of his spouse, and that either he resumes habitation in his principal residence while he or his spouse is still employed by such person or before the end of the taxation year following that in which his or his spouse’s employment terminates, or he dies while he or his spouse is still employed by such person.”

(2) This section applies to the taxation year 1979 and subsequent taxation years.

1972, c. 23,
s. 275,
am.

22. (1) Section 275 of the said act is amended by adding the following paragraph:

Idem.

“The same rule applies where the taxpayer is the owner, at the end of a taxation year, of a share other than a share received by him as consideration in respect of the disposition of personal-use property, of the capital stock of a corporation that has during the year become a bankrupt within the meaning of section 586.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

Sec. 23. *Section 23 provides for the cost of acquisition of a stock dividend.*

Sec. 24. *Section 24 provides that any amount received as a benefit from a registered retirement income fund must be included in computing a taxpayer's income.*

Sec. 25. *Section 25 specifies that the rule providing for the deduction of the capital element of an annuity does not apply to an amount received from a registered retirement income fund.*

Sec. 26. *Section 26 no longer allows a transfer to a registered retirement savings plan of the spouse.*

1972, c. 23,
s. 281,
replaced.

23. (1) Section 281 of the said act, amended by section 15 of chapter 18 of the statutes of 1974, is replaced by the following section:

Cost of
stock
dividend.

281. A shareholder of a corporation who receives after 1971 a stock dividend, in respect of a share owned by him of the capital stock of the corporation, is deemed to acquire the share received by him at a cost equal to the amount of that stock dividend where the stock dividend is a dividend or at a cost equal to nil where the stock dividend is not a dividend.”

(2) This section applies in respect of a stock dividend received after 1976.

1972, c. 23,
s. 286,
am.

24. (1) Section 286 of the said act, amended by section 16 of chapter 18 of the statutes of 1974 and by section 7 of chapter 21 of the statutes of 1975, is again amended by adding, at the end, the following paragraph:

“(k) a benefit under a registered retirement income fund, to the extent provided in sections 693y to 693zs.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 306,
am.

25. (1) Section 306 of the said act, amended by section 9 of chapter 18 of the statutes of 1973, section 17 of chapter 18 of the statutes of 1974, section 9 of chapter 21 of the statutes of 1975 and by section 52 of chapter 26 of the statutes of 1978, is again amended by replacing subsection 2 by the following subsection:

Restric-
tion
regarding
para-
graph f of
subsec-
tion 1.

“(2) Paragraph *f* of subsection 1 does not apply in the case of a pension benefit, a payment under a registered retirement savings plan, a registered retirement income fund or an income-averaging annuity contract or in the case of an annuity paid or purchased in accordance with a deferred profit sharing plan or a plan revoked under section 657.”

(2) This section applies to payments received after 29 June 1978.

1972, c. 23,
s. 309,
am.

26. (1) Section 309 of the said act, amended by section 35 of chapter 17 of the statutes of 1973, section 18 of chapter 18 of the statutes of 1974, section 10 of chapter 21 of the statutes of 1975, section 30 of chapter 26 of the statutes of 1977 and by section 53 of chapter 26 of the statutes of 1978, is again amended by replacing subparagraph *i* of paragraph *c* by the following subparagraph:

“i. the amount paid by him in the year or within sixty days after the end of the year, to the extent that it was not deductible in computing his income for the preceding year, as a premium

Sec. 27. Section 27 provides for the conversion to the International System of Units (SI).

Sec. 28. Section 28 makes certain specifications in respect of deemed dispositions or acquisitions of certain resource property.

Sec. 29. Section 29 provides concordance with section 119a of the Taxation Act enacted by section 33 of chapter 26 of the statutes of 1978.

under a registered retirement savings plan under which he is the annuitant or as a contribution under a registered retirement plan; less”.

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 317, am.

27. (1) Section 317 of the said act, amended by section 45 of chapter 26 of the statutes of 1972, is again amended by replacing subsection 2 by the following subsection:

Restriction.

“(2) However, such expenses shall not be deductible unless the distance between the former residence of the individual and the location at which he commences to carry on business, to be employed or to study on a full-time basis is not less than 40 kilometres greater than the distance between such location and his new residence.”

(2) This section applies to the taxation year 1979 and subsequent taxation years.

1972, c. 23,
s. 359a,
am.

28. (1) Section 359a of the said act, enacted by section 92 of chapter 22 of the statutes of 1975, is amended by replacing that part which precedes paragraph *a* by the following:

Transaction concerning oil, etc., deemed to be made at the fair market value.

“**359a.** The disposition by virtue of an obligation imposed by statute or a contractual obligation substituted for an obligation imposed by statute or the acquisition by a taxpayer of petroleum, natural gas or other related hydrocarbons, or metal or industrial minerals produced in the operation by the taxpayer of a petroleum or gas well or a mineral resource in Canada is deemed to be made at the fair market value thereof at the time of the disposition or acquisition, as the case may be, where”.

(2) This section has effect from 11 April 1978.

1972, c. 23,
s. 365,
replaced.

29. (1) Section 365 of the said act is replaced by the following section:

Case where the capital cost for the deceased exceeds that for person acquiring the property.

“**365.** For the purposes of sections 82 to 93, 119 and 119a and of the regulations made under paragraph *a* of section 119 or of section 119a, where depreciable property of a prescribed class of an individual who has died is deemed acquired by a person under section 364 and where the capital cost of such property to such individual exceeds that determined for such person under that last section, the following rules apply:

(a) the capital cost of such property, to such person, is deemed to be the capital cost of the property to the individual immediately before he died; and

Sec. 30. Section 30 broadens the rules on the transfer of the capital gain on farm property on the death of an individual to include a share of a farm corporation or an interest in a farm partnership.

Sec. 31. Section 31 provides for the transfer of the capital gain on shares of a small business corporation, on the death of an individual.

(b) the excess is deemed to have been allowed to that person as depreciation for the taxation years preceding such acquisition.”

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 367a,
replaced.

30. (1) Section 367a of the said act, enacted by section 49 of chapter 17 of the statutes of 1973 and amended by section 53 of chapter 26 of the statutes of 1977, is replaced by the following section:

Property
used in the
business of
farming.

“**367a.** Where property contemplated by section 363 or 364 is, immediately before the death of the individual, a share of the capital stock of a family farm corporation of the individual or an interest in a family farm partnership of the individual or is land or depreciable property of a prescribed class situated in Canada and used, immediately before the death, by the individual, his spouse or one of his children, in the business of farming, section 366 and the second paragraph of section 367 apply *mutatis mutandis* to the property transferred or assigned by reason of the death to a child of the individual who was resident in Canada immediately before the death, without taking account of the place where the individual was residing immediately before his death.”

(2) This section applies in respect of a transfer or assignment of property made after 10 April 1978.

1972, c. 23,
s. 367aa,
added.

31. (1) The said act is amended by inserting after section 367a the following section:

Transfer
of shares
of the
capital
stock of a
small
business
corporation.

“**367aa.** Notwithstanding section 363, where property contemplated therein was, immediately before the death of the individual, a share of the capital stock of a small business corporation, other than a share of the capital stock of a family farm corporation of the individual and the share is, on or after the death of the individual, transferred or assigned as a consequence of the death to a child of the individual who was resident in Canada immediately before the death, the following rules apply if it can be established, within a delay deemed reasonable by the Minister, that the share has been indefeasibly vested in the child within fifteen months after the death:

(a) the individual is deemed to have disposed of the share immediately before his death and the child to have acquired it for proceeds or cost, as the case may be, equal to the amount by which the fair market value of the share immediately before the death exceeds the lesser of the amount of the individual's capital gain otherwise determined from the disposition of the share and

Sec. 32. Section 32 provides concordance with section 30 and applies where transfers are made, from a trust for the exclusive benefit of the spouse, to the children.

the amount elected by the legal representative of the individual in respect of the transfer of the share, which must not exceed the cumulative small business gains account of the individual immediately before the disposition; and

(b) where several such shares are disposed of at the same time, this section applies separately to each of them in the order designated by the individual's legal representative or, if no such designation is made, in the order designated by the Minister."

(2) This section applies in respect of a transfer or assignment of shares made after 25 May 1978.

1972, c. 23,
s. 367g,
replaced.

32. (1) Section 367g of the said act, enacted by section 100 of chapter 22 of the statutes of 1975, is replaced by the following section:

Transfer
of farm
property
from
spouse's
trust to a
child.

"367g. Where property of an individual has been transferred or assigned to a trust referred to in sections 366 and 367 or 370 and the property was, immediately before that transfer or assignment, a share of the capital stock of a family farm corporation of the individual, an interest in a family farm partnership of the individual, land situated in Canada or depreciable property of a prescribed class situated in Canada and that property was, immediately before the death of the individual's spouse who was a beneficiary under the trust, either, in the case of such a share or such an interest, a share of the capital stock of a Canadian corporation or an interest in a partnership, that carried on the business of farming in Canada in which it used all or substantially all of its property in carrying on that business, or, in the case of land or depreciable property, property used in carrying on a farming business, the following rules apply if that property, on the death of the spouse and as a consequence thereof, is transferred or assigned and indefeasibly vested in a child of the individual who was resident in Canada immediately before the death:

(a) sections 489 to 492a are not applicable to the property;

(b) the trust is deemed to have disposed of the property immediately before the death of such spouse and the child is deemed to have acquired the property, for proceeds or cost, as the case may be, equal to,

i. in the case of depreciable property of a prescribed class, that proportion of the undepreciated capital cost to the trust immediately before the death of such spouse, of all the depreciable property of the trust of that class that the fair market value of that property at that time was of the fair market value of all the depreciable property of the same class at the same time; and

Sec. 33. Section 33 provides concordance with section 31 and applies where transfers are made, from a trust for the exclusive benefit of the spouse, to the children.

ii. in other cases, the adjusted cost base of that property to the trust immediately before the death of such spouse; and

(c) for the purposes of sections 82 to 93, 119 and 119*a* and of the regulations made under paragraph *a* of section 119 or of section 119*a*, where depreciable property of a prescribed class is deemed to be acquired by the child under paragraph *b* by virtue of the death of that spouse and the capital cost to the trust of that property exceeds the capital cost to the child determined under paragraph *b*,

i. the capital cost to the child of the property is deemed to be the capital cost of the property to the trust; and

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

(2) This section applies in respect of a transfer or assignment of property made after 10 April 1978; furthermore, to the extent that it replaces paragraph *c* of section 367*g* of the Taxation Act, it applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 367*ga*,
added.

33. (1) The said act is amended by inserting after section 367*g* the following section:

Transfer
of shares
of the
capital
stock of a
small
business
corporation
from
spouse's
trust to
a child.

“**367*ga*.** Where property of an individual has been transferred or assigned to a trust referred to in sections 366 and 367 or 370 and the property was, immediately before that transfer or assignment, a share of the capital stock of a small business corporation and, immediately before the death of the individual's spouse who was a beneficiary under the trust, that property was still such a share, the following rules apply if the share, on the death of the spouse and as a consequence thereof, is transferred or assigned and indefeasibly vested in a child of the individual who was resident in Canada immediately before the death:

(a) sections 489 and 490 are not applicable to the share;

(b) the trust is deemed to have disposed of the share immediately before the death and the child to have acquired it for proceeds or cost, as the case may be, equal to the amount by which the fair market value of the share immediately before the death exceeds the amount elected by the spouse's legal representative in respect of the transfer of the share, which must not exceed the lesser of the capital gain otherwise determined of the trust from the disposition of the share and the amount by which the individual's cumulative small business gains account immediately after his death exceeds the aggregate of amounts which, but for this section, would have been capital gains of the trust from a previous disposition; and

Sec. 34. Section 34 defines certain expressions in connection with the transfer of capital gains provided for in sections 30 to 33.

(c) where several such shares are disposed of at the same time, this section applies to each of them separately in the order designated by the spouse's legal representative or, if no such designation is made, in the order designated by the Minister."

(2) This section applies in respect of a transfer or assignment of shares made after 25 May 1978.

1972, c. 23,
s. 367*h*,
replaced.

34. (1) Section 367*h* of the said act, enacted by section 55 of chapter 26 of the statutes of 1977, is replaced by the following section:

Defin-
itions:

"367*h*. For the purposes of this division and sections 374*a* to 374*f*,

"share of
the capital
stock of a
family
farm cor-
poration";

(a) "share of the capital stock of a family farm corporation" of an individual at a particular time means a share of the capital stock of a corporation that, at that time, uses all or substantially all of its property in the carrying on of a farming business in Canada in which that individual, his spouse or his child is actively engaged;

"cumula-
tive
small
business
gains
account";

(b) "cumulative small business gains account" of an individual at a particular time means the amount by which \$200,000 exceeds the aggregate of amounts that would, but for section 367*aa* or 374*f*, have been capital gains of the individual from the disposition, before that time, of a share of the capital stock of a small business corporation;

"small
business
corpora-
tion";

(c) "small business corporation" at a particular time means a Canadian-controlled private corporation all or substantially all of the assets of which are, at that time,

i. used in a qualified business by the corporation or by a corporation controlled by it;

ii. shares of the capital stock of a small business corporation connected with the corporation, within the meaning of the regulations; or

iii. bonds, bills, notes, hypothecs, mortgages or other similar obligations issued by a corporation described in subparagraph ii;

"child";

(d) "child" includes a grandchild and a great grandchild;

"qualified
business";

(e) "qualified business" has the meaning determined by regulation;

"interest in
a family
farm
partner-
ship".

(f) "interest in a family farm partnership" of an individual at a particular time means an interest in a partnership that, at that time, uses all or substantially all of its property in carrying on a farming business in Canada in which the individual, his spouse or his child is actively engaged."

Sec. 35. Section 35 provides concordance with section 119a of the Taxation Act enacted by section 33 of chapter 26 of the statutes of 1978.

Sec. 36 to 38. Sections 36 to 38 broaden the rules on the transfer of tax on capital gains to the transfer of intangible capital property of a farming business, of a share of a family farm corporation and of an interest in a family farm partnership.

(2) This section applies in respect of a transfer or assignment of property made after 10 April 1978, except to the extent that it enacts paragraphs *b*, *c* and *e* of section 367*h* of the Taxation Act, in which case it applies in respect of the transfer or assignment of a share made after 25 May 1978.

1972, c. 23,
s. 371,
am.

35. (1) Section 371 of the said act is amended by replacing that part which precedes paragraph *b* by the following:

Capital
cost and
presumed
depreciation
to
spouse or
trust.

“**371.** Where subsection 1 or 2 of section 370 applies and the capital cost to the taxpayer of a depreciable property of a prescribed class exceeds the amount determined under that subsection, the following rules apply for the purposes of sections 82 to 93, 119 and 119*a* and of the regulations made under paragraph *a* of section 119 or of section 119*a*:

(*a*) the capital cost of such capital property to the spouse or trust is deemed to be the capital cost of such capital property to the taxpayer; and”.

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 374*a*,
replaced.

36. (1) Section 374*a* of the said act, enacted by section 52 of chapter 17 of the statutes of 1973, is replaced by the following section:

Transfer of
property
used in the
business
of farming.

“**374*a*.** Where an individual transfers after 1971 to one of his children who was resident in Canada immediately before the transfer, property which is land situated in Canada, depreciable property of a prescribed class situated in Canada or intangible capital property in respect of a business carried on by the individual in Canada, if such property was then used by him, his spouse or one of his children in the business of farming, or property that was, immediately before the transfer, a share of the capital stock of a family farm corporation of the individual or an interest in a family farm partnership of the individual, the individual is deemed to dispose of that property at the time of that transfer and receive, except in the cases mentioned in sections 374*b* and 374*c*, proceeds of disposition as otherwise determined.”

(2) This section applies in respect of a transfer of property made after 10 April 1978.

1972, c. 23,
s. 374*b*,
am.

37. (1) Section 374*b* of the said act, enacted by section 52 of chapter 17 of the statutes of 1973, is amended by replacing paragraph *b* by the following paragraph:

“(*b*) in the case of land, a share of the capital stock of a family farm corporation of the individual or an interest in a

family farm partnership of the individual, the adjusted cost base of the property to the individual, immediately before the transfer; in the case of intangible capital property in respect of a business, twice the individual's eligible intangible capital amount in respect of that business, immediately before the transfer; in the case of depreciable property of a prescribed class, the proportion of the undepreciated capital cost to the individual immediately before the transfer of all his depreciable property of that class, represented by the proportion between the fair market value of the property transferred at the time of its transfer, and that of all his depreciable property of that class at the same time."

(2) This section applies in respect of a transfer of property made after 10 April 1978.

1972, c. 23,
s. 374*d*, re-
placed.

38. (1) Section 374*d* of the said act, enacted by section 52 of chapter 17 of the statutes of 1973, is replaced by the following section:

Rules
applicable
in case
of s. 374*a*.

"**374*d***. In the case provided for in section 374*a*,

(a) sections 357 to 359 do not apply in computing the proceeds of disposition of the property mentioned therein;

(b) the child is deemed to acquire that property, except if it is intangible capital property, for an amount equal to the proceeds of its disposition as computed under sections 374*a* to 374*c*; if however it is depreciable property of a prescribed class the capital cost of which, to the individual mentioned in section 374*a*, exceeds that amount, the following rules apply for the purposes of sections 82 to 93, 119 and 119*a* and the regulations made under paragraph *a* of section 119 or of section 119*a*:

i. the capital cost of the property to the child is deemed to be the capital cost of the property to the individual, and

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

(c) where the property is intangible capital property, the child is deemed to acquire, immediately after the transfer, capital property for an amount equal to the proceeds of the disposition of the property as computed under sections 374*a* to 374*c*; however, if the child continues to carry on the business, he is deemed to acquire capital intangible property and the proceeds of the disposition of the property so computed are deemed to be for him an amount of intangible capital property within the meaning of section 95."

(2) This section applies in respect of a transfer of property made after 10 April 1978.

Sec. 39. *Section 39 provides for the transfer of tax on capital gain to the transfer of a share of a small business corporation.*

Sec. 40. *Section 40 specifies that the rules respecting dividends on tax-deferred shares of certain corporations continue to apply even if these corporations amalgamate with other corporations.*

Sec. 41. *Section 41 provides, in certain cases, for a deemed dividend in the case of the reduction of the paid-up capital of a public corporation.*

1972, c. 23,
s. 374*f*,
added.

39. (1) The said act is amended by inserting after section 374*e* the following section:

Transfer of
shares of
the capital
stock of
a small
business
corporation.

“374*f*. Where an individual transfers, to one of his children who was resident in Canada immediately before the transfer, property that was for him, immediately before the transfer, a share of the capital stock of a small business corporation, the following rules apply:

(a) the individual is deemed to dispose of the share at the time of the transfer and the child to acquire it for proceeds or cost, as the case may be, equal to the amount by which the fair market value of the share at the time of the transfer exceeds the lesser of the amount of capital gain otherwise determined of the individual from the disposition of that share and the amount specified by the individual in respect of the transfer of the share, which must not exceed the cumulative gains account of a small business of the individual immediately before the transfer; and

(b) where several such shares are disposed of at the same time, this section applies to each of them separately in the order designated by the individual or, if no such designation is made, in the order designated by the Minister.”

(2) This section applies in respect of a transfer of shares after 25 May 1978.

1972, c. 23,
s. 395*c*,
added.

40. (1) The said act is amended by inserting after section 395*b* the following section:

Prescribed
series of
preferred
shares.

“395*c*. For the purposes of this chapter, where, after 31 March 1977, there is an amalgamation within the meaning of section 422 and, immediately before the amalgamation, the capital stock of a predecessor corporation includes a prescribed series of preferred shares contemplated in section 395*a*, that series is deemed to continue to exist in the form of shares of the capital stock of the new corporation and the latter is deemed to be the same corporation as the predecessor corporation.”

(2) This section applies in respect of dividends that become payable after 1978.

1972, c. 23,
s. 400*a*,
added.

41. (1) The said act is amended by inserting after section 400 the following section:

Reduction
of a public
corporation's
paid-up
capital.

“400*a*. Where, at any time after 10 April 1978, a public corporation has reduced the paid-up capital in respect of any class of shares of its capital stock in a manner other than those referred to in section 399, 400 or 418, it is deemed to have paid at that time, on the shares of that class, a dividend equal to the amount paid by it in respect of that reduction.”

Sec. 42 and 43. *Sections 42 and 43 provide concordance with section 41.*

Sec. 44 and 45. *Sections 44 and 45 specify the rules for preventing the diminution of surpluses by means of the sale by an individual of shares of a corporation to another corporation with which he is not dealing at arm's length.*

(2) This section applies in respect of an amount paid after 10 April 1978.

1972, c. 23,
s. 401,
replaced.

42. (1) Section 401 of the said act, replaced by section 89 of chapter 26 of the statutes of 1978, is again replaced by the following section:

Reduction
of paid-up
capital.

“401. A corporation resident in Canada which has, at any time after 31 March 1977, reduced the paid-up capital in respect of any class of shares of its capital stock in a manner other than those referred to in sections 399 to 400*a*, is deemed to have paid at that time, on the shares of that class, a dividend equal to the amount by which the amount it pays in respect to that reduction exceeds the amount of that reduction.”

(2) This section applies in respect of an amount paid after 10 April 1978.

1972, c. 23,
s. 402, am.

43. (1) Section 402 of the said act, amended by section 90 of chapter 26 of the statutes of 1978, is again amended by replacing that part which precedes paragraph *a* by the following:

Dividend
deemed
received.

“402. Where, under this chapter, a dividend is deemed to have been paid at a particular time on a given class of shares, for a determined value, each person holding shares of that class at that time, or immediately after that time in the case contemplated in section 398, is deemed to receive as a dividend, in the case contemplated in section 400*a*, an amount equal to the amount he in fact receives in respect of the reduction contemplated in the latter section or, in other cases, an amount equal to the proportion of the value of the dividend so deemed to have been paid that”.

(2) This section applies in respect of an amount paid after 10 April 1978.

1972, c. 23,
s. 405*a*,
replaced.

44. (1) Section 405*a* of the said act, enacted by section 93 of chapter 26 of the statutes of 1978, is replaced by the following section:

Disposition
of a share
that is a
capital
property.

“405*a*. The rules provided in this chapter apply where, at any particular time in a taxation year, after 10 April 1978, a taxpayer resident in Canada other than a corporation disposes of a share that is capital property for him, of any class of the capital stock of a corporation resident in Canada in favour of another corporation with which he does not deal at arm’s length and, immediately after the disposition, the subject corporation is connected, within the meaning of the regulations, with that other corporation.”

Sec. 46. Section 46 provides concordance with section 119a of the Taxation Act enacted by section 33 of chapter 26 of the statutes of 1978.

Sec. 47. Section 47 adds certain rules respecting the additional deduction in respect of scientific research following the amalgamation of corporations.

(2) This section applies in respect of dispositions of shares after 10 April 1978.

1972, c. 23,
s. 405e,
replaced.

45. (1) Section 405e of the said act, enacted by section 93 of chapter 26 of the statutes of 1978, is replaced by the following sections:

Taxpayer
deemed
not to deal
at arm's
length with
a corpora-
tion.

“405e. For the purposes of this chapter, a taxpayer is deemed not to deal at arm's length with the corporation in favour of which a disposition contemplated in section 405a is made if, immediately before the disposition, he is a member of a group of less than six persons that controls the corporation the share of which is disposed of and if, immediately after the disposition, he is a member of a group of less than six persons that controls the corporation in favour of which the disposition is made, each member of which is a member of the group of less than six persons that, immediately before the disposition, controlled the corporation the share of which is disposed of.

Idem.

“405ea. For the purposes of determining whether or not a taxpayer referred to in section 405e is a member, at any time, of a group referred to therein, that taxpayer is deemed to be the owner at that time of any share that a person related to him owns at that time.”

(2) This section applies in respect of dispositions of shares after 10 April 1978.

1972, c. 23,
s. 410,
replaced.

46. (1) Section 410 of the said act is replaced by the following section:

Capital
cost of
depreciable
property
transferred
to a
controlled
corporation.

“410. For the purposes of sections 82 to 93, 119 and 119a and of the regulations made under paragraph a of section 119, where this chapter applies to the disposition of depreciable property to a corporation and the capital cost of that property to the taxpayer who disposes of it exceeds the proceeds of disposition, the following rules apply:

(a) the capital cost of the property to the corporation is deemed to be the capital cost of the property to the taxpayer; and

(b) the excess is deemed to have been allowed to the corporation as depreciation for the taxation years preceding the acquisition by it.”

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
ss. 428a-
428b,
added.

47. (1) The said act is amended by inserting after section 428 the following sections:

Sec. 48. Section 48 adds certain rules respecting the additional deduction in respect of scientific research following the winding up of a subsidiary.

Scientific
research.

“**428a.** For the purposes of sections 217*a* to 217*j*, of this section and of section 428*b*, the following rules apply:

(*a*) the base period for a particular taxation year of a new corporation that has fewer than three preceding taxation years is deemed to be the period commencing on the day that is the earliest of all days each of which is a day immediately before the commencement of a taxation year that ended after 1976 of a predecessor corporation and that are comprised in the three year period ending immediately before the particular taxation year, and ending immediately before the particular taxation year;

(*b*) a new corporation to which paragraph *a* applies must include, in computing its qualified expenditure for its base period, the qualified expenditure made by each predecessor corporation for any taxation year that commenced in that base period; it must also include, in computing the aggregate of all amounts referred to in paragraphs *a* to *c* of section 217*c* that have been paid to it in its base period, the aggregate of such amounts that have been paid by a predecessor corporation in a taxation year that has commenced in that base period;

(*c*) property that is research property of a predecessor corporation that is acquired by the new corporation is deemed to be research property of the latter and the capital cost of that property to it is deemed to be the capital cost of that property to the predecessor corporation; and

(*d*) the new corporation must include, for the purposes of section 217*i*, in the aggregate of all amounts it has deducted, under section 217*c* or 217*d*, in computing its income for each taxation year commencing before the time of disposition referred to in section 217*i* or in the aggregate of all amounts it has included, under that last section, in that computation for each such year, as the case may be, the aggregate of all amounts that a predecessor corporation has so deducted or included, as the case may be, in computing its income for each such taxation year.

Predecessor
corporation.

“**428b.** For the purposes of section 428*a* and this section, a predecessor corporation includes any corporation in respect of which the predecessor corporation was a new corporation.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 439*i*,
added.

48. (1) The said act is amended by inserting after section 439*h* the following section:

Qualified
expendi-
ture of a
subsidiary.

“**439i.** For the purposes of sections 217*a* to 217*j* and this section, the following rules apply for the purpose of computing

Sec. 49 to 52. Sections 49 to 52 provide concordance with section 119a of the Taxation Act enacted by section 33 of chapter 26 of the statutes of 1978.

the income of a parent corporation for a taxation year commencing after a subsidiary has been wound up:

(a) where the base period of the parent corporation consists of fewer than three taxation years, its base period shall be determined on the assumption that the corporation had a taxation year in each calendar year preceding the year in which it was incorporated and each such taxation year commenced on the same day of the year as the day of its incorporation;

(b) the parent corporation must include, in computing its qualified expenditure for a particular taxation year comprised in its base period, the qualified expenditure of the subsidiary for its taxation year ending in the same calendar year as the particular year; it must also include, in computing the aggregate of amounts referred to in paragraphs *a* to *c* of section 217*c* that have been paid to it in such a particular taxation year, the aggregate of such amounts that have been paid to the subsidiary in one of the subsidiary's taxation years ending in the same calendar year as the particular year; and

(c) paragraph *d* of section 428*a* applies, the word "new corporation" and "predecessor corporation" being replaced by the words "parent corporation" and "subsidiary", respectively."

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 440,
replaced.

49. (1) Section 440 of the said act is replaced by the following section:

Case
where
depreciable
property is
distributed
to parent
corporation.

"440. For the purposes of sections 82 to 93, 119 and 119*a* and of the regulations made under paragraph *a* of section 119, where the subsidiary distributes depreciable property to the parent on the winding-up and the capital cost of the property to the subsidiary exceeds the proceeds it is deemed to receive under section 435, the capital cost of the property to the parent is deemed equal to that to the subsidiary, notwithstanding section 437, and the excess is deemed to have been allowed to the parent as depreciation in respect of such property for the taxation years preceding its acquisition of the property."

1972, c. 23,
s. 463,
replaced.

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

Case
where
capital cost
exceeds
proceeds of
disposition
of depreci-
able prop-
erty.

50. (1) Section 463 of the said act, amended by section 24 of chapter 18 of the statutes of 1974, is replaced by the following section:

"463. For the purposes of sections 82 to 93, 119 and 119*a* and of the regulations made under paragraph *a* of section 119,

where the second paragraph of section 460 applies to depreciable property the capital cost of which, to the taxpayer who disposed of it to the partnership, exceeds the proceeds of its disposition:

(a) the capital cost of the property, to the partnership, is deemed to be equal to the capital cost of the property to the taxpayer; and

(b) the excess is deemed to have been allowed to the partnership as depreciation for the taxation years preceding the acquisition of that property by it."

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 470, re-
placed.

51. (1) Section 470 of the said act is replaced by the following section:

Rules
applicable
in the
case of
depreciable
property.

"470. For the purposes of sections 82 to 93, 119 and 119a and of the regulations made under paragraph *a* of section 119, where depreciable property of a prescribed class is distributed and the share of a person contemplated in section 466, in the capital cost of that property, to the partnership, exceeds the cost, to such person, of his undivided interest in that property, as determined under section 468,

(a) the capital cost to that person of his undivided interest in the property is deemed to be equal to his former share of the capital cost of such property to the partnership; and

(b) the excess is deemed to have been allowed to that person as depreciation for the taxation years before the acquisition by him of this undivided interest."

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 476, re-
placed.

52. (1) Section 476 of the said act is replaced by the following section:

Rules
applicable
when
property
received
is deprecia-
ble
property.

"476. For the purposes of sections 82 to 93, 119 and 119a and of the regulations made under paragraph *a* of section 119, where property received by a person contemplated in section 472 is depreciable property of a prescribed class and where its capital cost to the partnership exceeds its capital cost, to such person, as determined under section 474,

(a) the capital cost to him of the property is deemed to be the capital cost of the property to the partnership; and

(b) the excess is deemed to have been allowed to that person as depreciation for the taxation years before its acquisition by him."

Sec. 53. Section 53 provides that, for the purposes of certain provisions, a trust does not include a trust governed by a registered retirement income fund.

Sec. 54 and 55. Sections 54 and 55 provide concordance with section 119a of the Taxation Act enacted by section 33 of chapter 26 of the statutes of 1978.

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 484, am.

53. (1) Section 484 of the said act, amended by section 179 of chapter 22 of the statutes of 1975 and by section 109 of chapter 26 of the statutes of 1978, is again amended by replacing the third paragraph by the following paragraph:

Trusts not
included.

“For the purposes of sections 489 to 492*a*, 497 to 500, 503 and 515 to 523 and of paragraph *b* of section 493, a trust does not include a unit trust, a segregated fund trust referred to in section 639*b*, a trust referred to in section 639*y*, a trust governed by a registered retirement plan, a profit sharing plan, a registered supplementary unemployment benefit plan, a registered retirement savings plan, a deferred profit sharing plan, a registered education savings plan, a registered home ownership savings plan or a registered retirement income fund.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 492,
replaced.

54. (1) Section 492 of the said act is replaced by the following section:

Case
where
capital
cost of
property
exceeds
that deter-
mined for
its reacqui-
sition.

“**492.** Notwithstanding section 491, where the capital cost, to the trust, of any property of the class contemplated therein exceeds the cost determined for its reacquisition under the said section, the following rules apply, for the purposes of sections 82 to 93, 119 and 119*a* and of the regulations made under paragraph *a* of section 119 as these sections and regulations apply to such property after its reacquisition:

(*a*) the capital cost to the trust of the property is deemed to be the same as before its deemed disposition under this chapter; and

(*b*) the excess is deemed to have been allowed to the trust as depreciation for the taxation years preceding its reacquisition by the trust and no other amount is deemed to have been allowed to it as such in respect of the property in computing its income for such preceding years.”

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 519, am.

55. (1) Section 519 of the said act, amended by section 81 of chapter 17 of the statutes of 1973, section 190 of chapter 22 of the statutes of 1975 and by section 76 of chapter 26 of the statutes of 1977, is again amended by replacing paragraph *d* by the following paragraph:

“(*d*) for the purposes of sections 82 to 93, 119 and 119*a* and of the regulations made under paragraph *a* of section 119, where

Sec. 56. *Section 56 specifies that an annuity payment under a registered retirement income fund cannot be considered to be interest for the purpose of the deduction in respect of interest and dividends.*

Sec. 57. *Section 57 provides that an amount received by virtue of a registered retirement income fund is deductible as retirement income.*

Sec. 58. *Section 58 amends the definition of a loss other than a capital loss.*

the property transferred is depreciable property of a prescribed class and what was the capital cost of such property to the trust exceeds the capital cost determined for the taxpayer under sections 518 to 523, the following rules apply:

- i. the capital cost of the property to the taxpayer is deemed to be the capital cost of the property to the trust, and
- ii. the excess is deemed to have been allowed to the taxpayer as depreciation for the taxation years preceding the acquisition."

(2) This section applies to taxation years commencing after 25 May 1976 and ending after 31 March 1977.

1972, c. 23,
s. 531*b*,
am.

56. (1) Section 531*b* of the said act, enacted by section 18 of chapter 21 of the statutes of 1975 and amended by section 196 of chapter 22 of the statutes of 1975, section 81 of chapter 26 of the statutes of 1977 and section 119 of chapter 26 of the statutes of 1978, is again amended by replacing paragraph *b* by the following paragraph:

"(*b*) an annuity payment under a deferred profit sharing plan, a plan revoked in accordance with section 657, a registered retirement savings plan, a new plan referred to in section 677 to which the first paragraph of the said section 677 applied before 26 May 1976 or a registered retirement income fund;"

(2) This section has effect from 30 June 1978.

Id.,
s. 531*g*,
am.

57. (1) Section 531*g* of the said act, enacted by section 198 of chapter 22 of the statutes of 1975 and amended by section 121 of chapter 26 of the statutes of 1978, is again amended by inserting, after paragraph *b*, the following paragraph:

"(*bb*) as a payment out of or under a registered retirement income fund;"

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 546,
replaced.

58. (1) Section 546 of the said act, replaced by section 127 of chapter 26 of the statutes of 1978, is again replaced by the following section:

Non-
capital
losses.

546. For the purposes of section 545, the non-capital losses of a taxpayer for a taxation year consist of the aggregate of all his losses for the year from an office, employment, business or property, of his allowable business investment loss for the year and all amounts deductible from his income for the year under sections 556 to 562 or 633 less the aggregate of the amounts determined in paragraphs *a* and *b* of section 23 which exceed the amount determined in subparagraph *i* of paragraph *c* of that last section."

Sec. 59. Section 59 specifies certain rules regarding the computation of a loss other than a capital loss of certain life insurers.

Sec. 60. Section 60 amends the rules respecting the registration of a retirement savings plan.

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 554b,
replaced.

59. (1) Section 554b of the said act, enacted by section 128 of chapter 26 of the statutes of 1978, is replaced by the following section:

Non-capital
loss of
a life
insurer.

“554b. Notwithstanding section 545, for the purposes of computing the taxable income of a life insurer for its taxation year 1978 and its subsequent taxation years, the amount deductible as a non-capital loss for each of its taxation years ending before 1977 is deemed to be nil and the amount deductible as a non-capital loss for its taxation year 1977 is deemed to be equal to the amount prescribed.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

1972, c. 23,
s. 670, re-
placed.

60. (1) Section 670 of the said act, amended by section 64 of chapter 26 of the statutes of 1972 and section 20 of chapter 21 of the statutes of 1975, is replaced by the following section:

Contracts,
etc.,
eligible
for regis-
tration.

“670. The following are eligible for the registration contemplated in section 669:

(a) a contract between an individual and a person licensed or otherwise authorized by the laws of Canada or a province to carry on an annuities business in Canada under which, in consideration of payment of a premium by the individual or his spouse, such person agrees to pay to the individual, as consideration, a retirement income from the date provided for in the contract;

(b) an arrangement under which an individual or his spouse pays as a contribution a premium in trust to a corporation resident in Canada and licensed or otherwise authorized by the laws of Canada or a province to offer its services as trustee in Canada, if such corporation must invest or otherwise use such premium to pay to the individual a retirement income from the date provided in the contract; or

(c) an arrangement under which an individual or his spouse pays as a contribution a premium to a corporation approved by the Lieutenant-Governor in Council for the purposes of this title that is licensed or otherwise authorized by the laws of Canada or a province to issue investment contracts providing for the payment to or to the credit of the holder of the contract of a fixed or determinable benefit at maturity of the first payment, if such corporation must invest or otherwise use such premium to pay to the individual a retirement income from the date provided in the contract.”

Sec. 61. Section 61 specifies the annuities eligible as retirement income for the purposes of a registered retirement income fund.

Sec. 62 to 64. Sections 62 to 64 specify the rules respecting payments of benefits by virtue of a registered retirement savings plan.

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 671, am.

61. (1) Section 671 of the said act, amended by section 95 of chapter 26 of the statutes of 1977, is again amended:

(a) by replacing paragraph *b* of subsection 1 by the following paragraph:

“(b) after the date provided for the first payment of benefits other than a retirement income.”

(b) by inserting, after subsection 2, the following subsection:

Retirement
income.

“(3) For the purposes of this title, a retirement income is an annuity, issued by a person or corporation described in section 670 with whom an individual has made a contract or arrangement contemplated in that section, that is

(a) an annuity to be paid, from the date provided for the first payment of benefits, to the annuitant, or to the annuitant for his life and, after his death, to his spouse for a period equal to 90 minus the age in whole years of the annuitant at such date or, if the spouse is younger than the annuitant and if the latter so elects, minus the age in whole years of the spouse on such date;

(b) an annuity for life to be paid, from the date provided for the first payment of benefits, to the annuitant or jointly to the annuitant and his spouse and to the survivor of them, with or without a guaranteed term not exceeding the term referred to in paragraph *a* or, in the case of a plan before 14 March 1957, not exceeding 20 years; or

(c) a combination of the annuities described in paragraphs *a* and *b*.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 672,
replaced.

62. (1) Section 672 of the said act is replaced by the following section:

Other
conditions
respecting
benefits.

“**672.** The plan shall not provide for the payment of annuity for life benefits other than the equal payments which are payable periodically during the whole life of the annuitant or after his death, for the whole period after his death provided for by the plan; in the latter case, the periodic payments must not exceed those which are payable to the annuitant for his lifetime.

Idem.

Nor shall the plan provide for the payment of annuity benefits other than annuity for life benefits, unless such benefits are equal payments payable annually or at more frequent periodic intervals.

Idem.

Furthermore, the plan shall not provide for the payment of premiums after the date provided for the first benefit and such

Sec. 65. Section 65 provides for the transfer of a registered retirement savings plan to another registered retirement savings plan or to a registered retirement income fund.

date shall not be before the annuitant attains 60 years of age or after the end of the year in which he attains 71 years of age.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 673, am.

63. (1) Section 673 of the said act, amended by section 96 of chapter 26 of the statutes of 1977, is again amended by replacing the first paragraph by the following paragraphs:

Idem.

“**673.** The plan shall provide that, except on the death of the annuitant, no benefit is capable either in whole or in part of surrender, commutation or assignment.

The plan shall also provide for the commutation of any benefit that would otherwise become payable, on or after the death of the annuitant, to a person other than his spouse.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 674, am.

64. (1) Section 674 of the said act, amended by section 65 of chapter 26 of the statutes of 1972, is again amended by replacing paragraphs *e* and *f* by the following paragraphs:

“(e) that an annuity which is less than \$25 monthly may be cashed at its commuted value; and

“(f) that the periodic payment of a benefit may be increased annually at a rate specified in the contract, not exceeding 4 per cent per annum or, if such a rate is not specified, at a rate not exceeding that of the increase in the Consumer Price Index for Canada published by Statistics Canada under the Statistics Act (Statutes of Canada).”

(2) This section has effect from 30 June 1978.

Id., s. 676,
am.

65. (1) Section 676 of the said act, replaced by section 97 of chapter 26 of the statutes of 1977, is amended by replacing the first paragraph by the following paragraph:

Revision of
plan upon
transfer
of funds.

“**676.** Notwithstanding any other provision of this title, a registered retirement savings plan may be revised or amended to provide for the payment or transfer of funds of the plan on behalf of the individual who is the annuitant under the plan, by a person or corporation described in section 670 with whom the individual has an arrangement contemplated in this section, to any other such person under another registered retirement savings plan under which the individual is the annuitant, as a contribution to or under a registered retirement plan or, if the individual has attained 60 years of age, to a person or corporation contemplated in section 693z under a registered retirement income fund under which the individual is the beneficiary.”

Sec. 66. Section 66 amends the rules applicable in case of the death of an individual who is an annuitant by virtue of a registered retirement savings plan, and makes certain transitional provisions.

(2) This section has effect from 30 June 1978.

1972, c. 23,
ss. 678a-
678c,
added.

66. (1) The said act is amended by inserting, after section 678, the following sections:

Maturity
of a plan
before
the annuitant
reaches
the age
of 60.

“678a. For the purposes of section 677, where the date provided for the first payment of benefits under a registered retirement savings plan arrives and that date is after 30 June 1978 and before the day on which the annuitant attains 60 years of age, the plan is deemed to have become, immediately before the date provided for the first payment of benefits, a new plan which does not meet the requirements of this title with regard to registration.

This section applies only if the plan was entered into after 10 April 1978 or, if it was entered into before 11 April 1978, only if the terms and conditions of the plan in force on 10 April 1978 stipulate that the date provided for the first payment of benefits may be after the day on which the annuitant attains 60 years of age.

Rules
applicable
to a bene-
ficiary
other than
a consort.

“678b. Where, owing to the death of an individual, a person, other than the spouse of the individual, becomes entitled to receive an amount out of or under a contract or arrangement that was, at the time of the death, a registered retirement savings plan of the individual, the individual is deemed to have received, immediately before his death, an amount out of or under a registered retirement savings plan equal to the fair market value at the time of his death of the amount the person thus becomes entitled to receive.

Idem.

In that case, the plan is deemed no longer to be a registered retirement savings plan after the individual's death.

Idem.

This section applies only if, at the time of the death of the individual, the date provided by the plan for the first payment of benefits had arrived and if it had arrived after 30 June 1978 or if, at the time of the death, the terms and conditions of the plan provided that such date would be after 30 June 1978.

Transition-
al provi-
sions.

“678c. Where, after 10 April 1978 and before 29 August 1978, an individual attains 71 years of age and a registered retirement savings plan under which he is the annuitant is revised or amended in a manner such that section 677 would otherwise apply, the following rules apply:

(a) the plan is deemed to be so revised or amended only on 29 October 1978;

(b) the individual, in computing his income for the taxation year in which he is required, under section 689, to include in his

Sec. 67. Section 67 provides concordance with section 395a of the Taxation Act enacted by section 86 of chapter 26 of the statutes of 1978.

Sec. 68. Section 68 provides for the creation as well as the terms and conditions of application of a registered retirement income fund to permit an annuitant or his spouse under certain conditions and without involving any immediate fiscal consequence, to transfer funds from a registered retirement savings plan.

income an amount from the plan, may deduct such portion of such amount as may reasonably be regarded as having been used by him before 20 October 1978 to acquire for himself a retirement income or paid by him into a registered retirement income fund under which he is the beneficiary;

(c) where an amount referred to in paragraph *b* has been used by the individual to acquire for himself an annuity which is a retirement income, any payment from such annuity is deemed to be a payment made under a registered retirement savings plan, to the extent that the amount so used is deductible under this paragraph in computing his income; and

(d) for the purposes of the second paragraph of section 693zc, an amount paid by the individual into a registered retirement income fund under which he is the beneficiary is deemed to be a property transferred from a registered retirement savings plan under which the individual is the annuitant, to the extent that the amount so paid is deductible under paragraph *b* in computing his income.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 693m,
replaced.

67. (1) Section 693m of the said act, enacted by section 23 of chapter 21 of the statutes of 1975, is replaced by the following section:

Income.

“**693m.** For the purposes of section 693l, income of a trust includes dividends described in sections 395a and 396 and shall be computed without reference, in applying section 218, to the expression “one-half” where it appears therein.”

(2) This section applies in respect of a dividend to be received after 1978.

1972, c. 23,
Title
IIIB,
ss. 693y-
693zs,
added.

68. (1) The said act is amended by inserting, after section 693x, the following title, chapters and sections:

“TITLE III B

“REGISTERED RETIREMENT INCOME FUND

“CHAPTER I

“REGISTRATION

Approval
of a
retirement
income
fund for
registra-
tion.

“**693y.** (1) The Minister may accept for registration a retirement income fund if, in his opinion, it complies with the requirements of this chapter and of the regulations which may be made in that respect.

Standards applicable.

(2) A fund which complies with the standards enacted for that purpose by the regulations must be considered to be a registered retirement income fund.

Possible arrangements for registration.

693z. (1) An arrangement between an individual and a person or corporation described in section 670 is acceptable for registration as contemplated in section 693y if, under that arrangement, in consideration for the transfer of property by the individual, the person or corporation undertakes to pay in each year, in one or more payments, from the first complete calendar year after the date of the arrangement, to the individual or, where he so elects, to his spouse after the death of the individual should he die before the arrangement ceases, the amount calculated under section 693za for the year and, at the end of the year in which the last payment is provided for, an amount equal to the value of the property held in connection with the arrangement at that time by that person or corporation.

"property held in connection with the arrangement".

(2) For the purposes of this title, the expression "property held in connection with the arrangement" means property held under a retirement income fund by a person or corporation described in section 670, if the value of that property or the income or loss therefrom is relevant in determining the amount payable in a year to the beneficiary under the fund.

Retirement income.

693za. The amount contemplated in section 693z for a year is equal to the proportion of the value of the property held in connection with the arrangement at the beginning of the year, that one is of the number by which 90 exceeds the age in whole years of the individual at that time, regardless of his death, if that is the case or, if the spouse is younger than the individual and he so elects before the first complete calendar year after the date of the arrangement, the age in whole years of the spouse at the beginning of the year, regardless of the latter's death, if that is the case; however, that amount shall not exceed the value of the property held in connection with the arrangement immediately before the time of the payment.

Conditions of approval in respect of registration.

693zb. The fund shall provide that no payment under the fund is capable either in whole or in part of surrender, commutation or assignment, except on the death of the beneficiary.

Idem.

It shall also provide for the distribution, as a consequence of the death of the beneficiary, of the property held in connection with the arrangement at the time of his death or an amount equal to the value of such property at that time, except where the spouse of the beneficiary becomes at that time the beneficiary of the fund pursuant to the terms of the fund or the provisions of the will of the beneficiary.

Conditions
of approval
in respect
of registra-
tion.

The fund shall also provide for the transfer, in the prescribed manner and form, at the request of the beneficiary, of all the property held in connection with the arrangement at the time of such request or of an amount equal to the value of such property at that time, to a person or corporation contemplated in section 693z, together with all information relevant to the continuance of the fund.

Idem.

“**693zc.** The fund shall not provide for any payment under the fund other than a payment provided for in the arrangement contemplated in section 693z.

Idem.

Furthermore, the fund shall not provide for the transfer of any property in consideration for the payments under the fund other than property transferred from a registered retirement savings plan under which the individual is the annuitant or under another registered retirement income fund under which the individual is the beneficiary.

Idem.

“**693zd.** Notwithstanding any other provision of this title, a retirement income fund is not acceptable for registration as provided for in section 693y if the individual who is the beneficiary under the fund also is a beneficiary under another registered retirement income fund.

Rules
applicable
to a
beneficiary
other than
a consort.

“**693ze.** Where, as a consequence of the death of an individual, a person, other than the spouse of the individual, becomes entitled to receive an amount out of or under an arrangement that was, immediately before the death, a registered retirement income fund of the individual, the individual is deemed to have received, at that time, an amount out of or under a registered retirement income fund equal to the fair market value at the time of his death of the amount the person thus becomes entitled to receive.

Presump-
tion.

In that case, the fund is deemed no longer to be a registered retirement income fund after the individual's death.

“CHAPTER II

“REVOCATION OF REGISTRATION

Revocation
of registra-
tion.

“**693zf.** The registration of a retirement income fund may be revoked at any time where the Minister is satisfied that the requirements of sections 693zb to 693zd and of the regulations made under subsection 1 of section 693y were not complied with at the time the fund was registered or that the fund subsequently failed to comply with the requirements of those sections

and regulations; the Minister shall give notice of his action by registered mail to the parties to the arrangement.

Revocation
of registra-
tion.

However, the registration of a fund considered to be registered under subsection 2 of section 693y is revoked as soon as such fund ceases to comply with the standards contemplated in that subsection.

Cancell-
ation of re-
vocation.

“**693zg.** Where the registration of a retirement income fund is revoked because the fund failed to comply with the requirements referred to in section 693zd, the beneficiary may obtain the cancellation of the revocation if, within 90 days of the date of mailing of the notice mentioned in section 693zf, he satisfies the Minister that the fund complies with those requirements.

Effect of
revocation.

“**693zh.** Where, in accordance with section 693zf, the registration of a retirement income fund is revoked at any time, the beneficiary is deemed to have received at that time an amount out of or under the fund equal to the fair market value at that time of the property held in connection with the arrangement.

“CHAPTER III

“TAXATION

No tax
payable by
a trust.

“**693zi.** No tax is payable by a trust under this Part for a taxation year if, throughout the period in the year during which the trust is in existence, the trust is governed by a registered retirement income fund.

Exception
to tax
exemption.

“**693zj.** Notwithstanding section 693zi, a trust governed by a registered retirement income fund shall pay tax under this Part on its taxable income for a taxation year

(a) if it borrows money in the year or has borrowed money that it has not repaid before the commencement of the year, or

(b) if it receives in the year a gift of property, other than property transferred in accordance with the second paragraph of section 693zc, or receives such a gift of property in a preceding year and has not divested itself of that property or any property substituted therefor before the commencement of the year.

Idem.

“**693zk.** Where section 693zj does not apply, a trust governed by a registered retirement income fund which carries on a business in a taxation year shall, notwithstanding section 693zi, pay tax under this Part on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than from the carrying on of that business.

Tax on non-qualified investment.

“693zl. Notwithstanding section 693zi, a trust governed by a registered retirement income fund that acquires a non-qualified investment shall pay tax under this Part on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than from such investment or no capital gains or capital losses other than from the disposition of such investment.

Income.

“693zm. For the purposes of section 693zl, income of a trust includes dividends described in sections 395a and 396 and shall be computed without reference, in applying section 218, to the expression “one-half” where it appears therein.

“CHAPTER IV

“AMOUNTS TO BE INCLUDED

Amount to be included in computation of income.

“693zn. A taxpayer shall include in computing his income for a taxation year an amount received by him in the year out of or under a registered retirement income fund.

Restriction.

For the purposes of this section, the transfer described in the third paragraph of section 693zb does not constitute an amount received by the beneficiary out of or under a registered retirement income fund.

Acquisition or disposition of property by a trust.

“693zo. Where, at any time in a taxation year, a trust governed by a registered retirement income fund acquires property for a consideration greater than its fair market value at that time or disposes of property for no consideration or for a consideration less than its fair market value at that time, the beneficiary under the fund at that time shall include, in computing his income for the year, twice the difference between such value and such consideration.

Acquisition of non-qualified investment and use of property as security for a loan.

“693zp. Where, at any time in a taxation year, a trust governed by a registered retirement income fund acquires property that was at the time of its acquisition a non-qualified investment, or uses or permits the use of a property of the trust as security for a loan, the beneficiary under the fund at that time shall include, in computing his income for the year, the cost to the trust of the investment or, as the case may be, the fair market value of the property at the time that property is so used.

Sec. 69. Section 69 provides that a trust governed by a registered retirement income fund is exempt from tax.

“CHAPTER V

“DEDUCTIONS

Disposition
of non-
qualified
invest-
ment.

“**693zq.** Where a trust governed by a registered retirement income fund disposes in a taxation year of a property that, when acquired, was a non-qualified investment the cost of which to the trust was included by virtue of section 693zp in computing the income of a taxpayer, the beneficiary under the fund at the time of the disposition may deduct, in computing his income for the year, the lesser of that cost and the proceeds of disposition of the property.

Recovery
of property
used as
security
for a loan.

“**693zr.** (1) Where, at any time in a taxation year, a loan for which a trust governed by a registered retirement income fund has permitted the use of a property of the trust as security ceases to be extant and the fair market value of the property has been included in computing the income of a taxpayer by virtue of section 693zp, the beneficiary under the fund at that time may deduct in computing his income for the year the amount remaining after deducting from the amount so included in consequence of such use the net loss sustained by the trust in consequence of such use.

Loss con-
templated
in subsec-
tion 1.

(2) However, the loss contemplated in subsection 1 does not include payments made by the trust as interest nor a change in the fair market value of the property.

“CHAPTER VI

“QUALIFIED INVESTMENTS

Elements
which
qualify.

“**693zs.** The elements which qualify as investments for a registered retirement income fund are those described in paragraphs *a* to *j* of section 692 other than a life annuity contract.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 730, am.

“**69.** (1) Section 730 of the said act, amended by section 32 of chapter 18 of the statutes of 1974, section 25 of chapter 21 of the statutes of 1975 and section 107 of chapter 26 of the statutes of 1977, is again amended by inserting, after paragraph *ga*, the following paragraph:

Idem.

“(gb) a trust established under a registered retirement income fund to the extent provided by sections 693y to 693zs;”.

(2) This section has effect from 30 June 1978.

Sec. 70. Section 70 provides that tax must be withheld at source in respect of a payment out of a registered retirement income fund.

Sec. 71. Section 71 provides concordance with section 31.

Sec. 72. Section 72 provides that the penalties imposed for undeclared income or for unallowable expenses can be reduced only by expenses related to undeclared income.

1972, c. 23,
s. 745, am.

70. (1) Section 745 of the said act, amended by section 69 of chapter 26 of the statutes of 1972 and by section 110 of chapter 26 of the statutes of 1977, is again amended by replacing subparagraphs *j* and *k* by the following subparagraphs:

“(j) an occupational training allowance under the Adult Occupational Training Act (Statutes of Canada),

“(k) an amount as proceeds of the surrender, cancellation or redemption of an income-averaging annuity contract,

“(l) a payment out of or under a registered retirement income fund.”

(2) This section has effect from 30 June 1978.

1972, c. 23,
s. 758*b*, re-
placed.

71. (1) Section 758*b* of the said act, enacted by section 117 of chapter 17 of the statutes of 1973, is replaced by the following section:

Election
available
to the legal
representative
of a
deceased.

“**758*b*.** Notwithstanding any provision of this Part or the Act respecting the application of the Taxation Act (1972, chapter 24), the legal representative of the individual contemplated by sections 361, 362*c* to 363, 364, 365 and 367*aa* who must pay for a taxation year tax exceeding that which would have been payable in the absence of the said sections may, if he furnishes to the Minister security the latter considers acceptable, elect, in the form and delay prescribed, to pay part or all of such excess in equal consecutive annual instalments, not exceeding ten, as specified in his election and every payment shall be made on the conditions and at the rate of interest provided for in section 758*a*.

Included
tax.

For the purposes of the first paragraph, the tax for the year shall include that which is payable due to the election contemplated in section 361 or, as the case may be, under section 124 of the said Act respecting the application of the Taxation Act.”

(2) This section applies in respect of a death having occurred after 1977.

1972, c. 23,
s. 773,
am.

72. (1) Section 773 of the said act, replaced by section 206 of chapter 26 of the statutes of 1978, is amended by replacing subparagraphs *a* and *b* of the second paragraph by the following subparagraphs:

“(a) the amount by which the aggregate of amounts that were not reported by him in his return, and that were required to be included in computing his income for the year exceeds the aggregate of amounts that were not deducted by him in computing his income for the year reported by him in his return and deductible by him in computing such income under this act in respect of the amounts that were required to be so included therein;

Sec. 73. Section 73 provides that an appeal may be brought to the Provincial Court when the Minister refuses or revokes the registration of a retirement income fund.

Sec. 74. Section 74 extends the applicability of the exception rule to persons performing duties outside Canada.

Sec. 75. Section 75 amends the application of section 406a of the Taxation Act.

(b) the amount by which the aggregate of amounts deducted by him in computing his income for the year indicated by him in his return exceeds the aggregate of such amounts deductible in computing such income under this act; and”.

(2) This section applies to any declaration or omission made after 10 April 1978.

1972, c. 23,
s. 793, am.

73. (1) Section 793 of the said act, amended by section 26 of chapter 21 of the statutes of 1975 and section 209 of chapter 26 of the statutes of 1978, is again amended by replacing subparagraph *c* of the first paragraph by the following subparagraph:

“(c) refusing registration under this Part of a profit sharing plan, an education savings plan, a home ownership savings plan or a retirement income fund, or revoking the registration of such a plan or fund.”

(2) This section has effect from 30 June 1978.

Id., s. 816,
am.

74. Section 816 of the said act, amended by section 126 of chapter 17 of the statutes of 1973 and by section 245 of chapter 22 of the statutes of 1975, is again amended by replacing subparagraph *i* of paragraph *b* by the following subparagraph:

“i. of the remuneration which he has received in the year in respect of an office or employment that was paid to him directly or indirectly by a person resident in Canada, except to the extent that such remuneration is attributable to the duties performed by him outside Canada and was subject to an income or profits tax imposed by the government of a country other than Canada, or was paid in connection with the selling of property, the negotiating of contracts or the rendering of services for his employer, a foreign affiliate of his employer or for another person with whom his employer does not deal at arm’s length, in the ordinary course of a business carried on by his employer, that foreign affiliate or that other person; and”.

1978, c. 26,
s. 94, am.

75. Section 94 of the Act to amend the Taxation Act and certain fiscal legislation (1978, chapter 26) is amended by replacing subsection 2 by the following subsection:

“(2) Paragraph *a* of subsection 1 applies to elections the final date for making which is after 6 May 1974.”

Coming
into force.

76. This act comes into force on the day of its sanction.

