NATIONAL ASSEMBLY

SECOND SESSION THIRTY-FIFTH LEGISLATURE

Bill 161

An Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions

Introduction

Introduced by
Madam Rita Dionne-Marsolais
Minister for Revenue

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EXPLANATORY NOTES

This bill amends various Acts to give effect primarily to the Budget Speech delivered by the Minister of Finance on 25 March 1997, to the Minister's Statements of 28 November 1996, 12 December 1996 and 19 December 1996, and to Information Bulletins 96-1, 96-2, 96-3, 96-5, 97-1, 97-2, 97-3, 97-4 and 97-5 issued by the Ministère des Finances respectively on 26 January 1996, 24 April 1996, 14 June 1996, 22 November 1996, 11 February 1997, 16 May 1997, 22 May 1997, 3 July 1997 and 16 October 1997.

Amendments are also introduced to give effect to various measures contained in the Budget Speech delivered by the Minister of Finance on 9 May 1996.

The bill amends the Cultural Property Act to explicitly grant the Commission des biens culturels the authority to fix the fair market value of cultural property on donation of the property to a certified archival centre or to an accredited museum. Provision is made in the bill for a right of appeal from the decision of the Commission in that respect.

The bill amends the Highway Safety Code to introduce a measure imposing an additional registration fee for luxury vehicles.

The bill amends the Mining Duties Act to introduce a new additional depreciation allowance in computing annual profit for the purpose of determining the mining duties a Québec mining operator must pay under the Act.

The bill amends the Tobacco Tax Act to raise the rate of tax on tobacco products.

The bill amends the Taxation Act to amend or introduce a number of fiscal measures specific to Québec. One of the main measures concerns a reform of personal income tax aimed at achieving a simplified and fairer tax system. In particular, the amendments

(1) reduce the number of tax brackets from five to three, and as a consequence, eliminate the 5% surtax on tax exceeding $5,000, the additional 5% surtax on tax exceeding $10,000 and the 2% tax reduction;

(2) enable individuals to choose between the general tax system and the new simplified system, which will allow taxpayers to avail themselves of a new lump-sum amount of $2,350 to replace several tax credits and deductions allowed under the general tax system;

(3) increase the non-refundable tax credit rate from 20% to 23%;

(4) simplify the calculation of tax credits based on income through the adoption of a single $26,000 reduction threshold and the harmonizing of the various notions of income used to reduce tax credits;

(5) increase the refundable sales tax credit scale for adults by $50 and by $50 for a person living alone, and improve payment of the tax credit so that it becomes payable in two equal instalments in August and December of the year; and

(6) convert the deductions for tuition fees and examination fees into carry-forward non-refundable tax credits.

The other measures amending the Taxation Act are brought, in particular, to

(1) bring into force, beginning from the first pay period after 31 December 1997, a tip allocation mechanism where the tips remitted by the employee to the employer amount to less than 8% of the amount of tippable sales attributable to the employee;

(2) enchance the allowable accelerated depreciation deduction through an additional deduction that brings the total deduction to 125% of the capital cost of certain property used in Québec;

(3) tighten up the rules relating to transfers of property without immediate tax impact to preclude avoidance transactions based on dissimilar application of the rules contained in the Taxation Act and in the federal Income Tax Act;

(4) make adjustments to reflect amendments brought to the Cultural Property Act and the Cultural Property Export and Import Act;

(5) introduce a deduction in the computing of the income of a foreign instructor employed by a corporation carrying on business in a building housing an information technologies development centre (ITDC);

(6) increase the income tax and tax on capital exemption for new corporations, particularly by extending the exemption period to the equivalent of five full years, and introduce a similar exemption for all of those taxes payable by a corporation carrying on a business in a building housing an ITDC;

(7) relax the rules governing stock savings plans for qualifying non-guaranteed convertible securities and for regional venture capital corporations as well as the rules prohibiting share purchases and share redemptions by qualified corporations;

(8) implement a temporary refundable tax credit for the use of less polluting dry-cleaning technology;

(9) implement, as a consequence of the new measures pertaining to tips, a temporary refundable tax credit for additional payroll taxes payable by employers during pay periods ending on or before 31 December 2000;

(10) implement a refundable tax credit for businesses that create jobs and that meet certain conditions equal to $1,200 for each full-time job created in a year, up to $36,000;

(11) make certain adjustments to the refundable tax credit for Québec film or television production including a tax credit reduction from 40% to 33 1/3% for certain productions and an increase in that rate from 40% to 45% for certain other productions;

(12) implement a refundable tax credit for salary and wages paid and specialized equipment purchased in the first three taxation years of a corporation carrying on business in a building housing an ITDC;

(13) grant a temporary tax holiday in regards to the tax on capital for new investments in certain sectors including the tourism sector; and

(14) introduce amendments consequential to the new integrated child allowance concerning the tax reduction for families and the refundable tax credit for sales tax attributable to children.

The bill amends the Licenses Act to integrate a reduction in the specific duty and tax applicable to wine, cider and other alcoholic beverages sold by small-scale producers and to increase the ad valorem *duty imposed on alcoholic beverages, in harmony with the Québec sales tax increase on 1 January 1998.*

The bill amends the Act respecting the Ministère du Revenu primarily to introduce provisions pertaining to objections and appeals that formerly were to be found in the Taxation Act. Consequential amendments are also brought to certain provisions of the Act respecting municipal taxation, the Mining Duties Act, the Act respecting the Régie de l'assurance-maladie du Québec, the Act respecting the Québec Pension Plan, the Act respecting real estate tax refund and the Act respecting income security.

The bill amends the Act respecting labour standards in particular to provide for a mandatory written tip remittance agreement to be entered into between the employer and each employee in the restaurant and hotel industry.

The bill amends the Consumer Protection Act to integrate a measure that concerns advertising mentioning taxes.

The bill amends the Act respecting the Régie de l'assurance-maladie du Québec chiefly to

(1) enhance the exemption from employer contributions to the Health Services Fund that new corporations may claim by extending the claiming period to the equivalent of a full five years;

(2) introduce a similar exemption for corporations that carry on their entire business in a building housing an ITDC; and

(3) change the manner in which the premium payable by a beneficiary of the public drug insurance plan is calculated so that the family income considered is the same as the family income used in the tax system to calculate refundable tax credits, and so that the amounts of the deductions considered in calculating the premium are replaced.

The bill amends the Act respecting real estate tax refund to ensure concordance with the amendments brought to the Taxation Act as part of the reform of personal income tax.

The bill amends the Act respecting Québec business investment companies to empower the Société de développement industriel du Québec to refuse to certify an investment made by a Québec business investment company (QBIC) in connection with a financial arrangement providing for the granting of an option to sell or any other form of guarantee of return to QBIC shareholders.

The bill amends the Act respecting the Québec sales tax to add measures specific to the tax system in Québec as well as to harmonize the Québec sales tax with the federal goods and services tax and to reflect the introduction by the federal government of the harmonized sales tax.

In particular, the amendments

(1) increase the rate of the Québec sales tax to 7.5% from 1 January 1998;

(2) introduce a specific duty on perchloroethylene;

(3) provide for the deferral of the elimination of restrictions on the obtaining of an input tax refund by large businesses, except with respect to fuel oil and road vehicles having a weight equal to or greater than 3,000 kilograms;

(4) provide for a QST-exempt transfer of road vehicles between individuals in settlement of rights arising out of their marriage;

(5) reduce the specific tax applicable to wine, cider and other alcoholic beverages sold by small-scale producers;

(6) abolish the partial rebate of Québec sales tax granted to municipalities and certain bodies engaged in activities of a municipal nature;

(7) ensure harmonization with amendments made to the goods and services tax by the federal government in Bill C-70 (S.C., 1997, chapter 10) assented to on 20 March 1997;

(8) make consequential adjustments to take into account the introduction of the harmonized sales tax by the federal government; and

(9) make various technical, consequential and terminological changes specific to the sales tax system in Québec.

The bill amends the Fuel Tax Act to introduce various fiscal measures.

In particular, the measures

(1) provide for an exemption on fuel tax in respect of propane gas;

(2) reduce fuel tax in respect of ethanol;

(3) modify the rate of the fuel tax applicable to fuel oil; and

(4) reduce the specific tax on gasoline in border regions.

The bill also amends other legislation to make various technical and consequential amendments and changes in terminology.

LEGISLATION AMENDED BY THIS BILL:

– Cultural Property Act (R.S.Q., chapter B-4);

– Highway Safety Code (R.S.Q., chapter C-24.2);

– Act to foster the development of manpower training (R.S.Q., chapter D-7.1);

– Mining Duties Act (R.S.Q., chapter D-15);

– National Holiday Act (R.S.Q., chapter F-1.1);

– Act respecting municipal taxation (R.S.Q., chapter F-2.1);

– Tobacco Tax Act (R.S.Q., chapter I-2);

– Taxation Act (R.S.Q., chapter I-3);

– Act respecting the application of the Taxation Act (R.S.Q., chapter I-4);

– Licenses Act (R.S.Q., chapter L-3);

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

– Act respecting labour standards (R.S.Q., chapter N-1.1);

– Consumer Protection Act (R.S.Q., chapter P-40.1);

– Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5);

– Act respecting the Québec Pension Plan (R.S.Q., chapter R-9);

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

– Act respecting income security (R.S.Q., chapter S-3.1.1);

– Act respecting the Société de développement des entreprises culturelles (R.S.Q., chapter S-10.002);

– Act respecting Québec business investment companies (R.S.Q., chapter S-29.1);

– Act respecting the Québec sales tax (R.S.Q., chapter T-0.1);

– Fuel Tax Act (R.S.Q., chapter T-1);

– Act to amend the Code of Civil Procedure and various legislative provisions (1993, chapter 72);

– Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1);

– Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 63);

– Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 14);

– Act respecting family benefits (1997, chapter 57).

Bill 161

AN ACT TO AGAIN AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CULTURAL PROPERTY ACT

1. The Cultural Property Act (R.S.Q., chapter B-4) is amended by inserting, after the heading of Chapter II, the following:

"**DIVISION I**

"CONSTITUTION AND OPERATION".

2. The said Act is amended by inserting, after section 2, the following section:

"**2.1.** In addition to its advisory responsibilities, the Commission shall, where a cultural property, other than property described in section 232R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), is acquired by a certified archival centre or an accredited museum, within the meaning assigned to those expressions by section 1 of the Taxation Act (chapter I-3),

(*a*) determine, for the purposes of the second paragraph of section 232 of the Taxation Act and for the purposes of Division II, whether the property is acquired in accordance with the acquisition and conservation policy of the centre or museum, as the case may be, and with the directives of the Ministère de la Culture et des Communications; and

(*b*) in the circumstances described in section 7.12 and for the purposes of paragraph *b*.1 of section 710, sections 710.2 and 712.0.1, paragraph *b* of the definition of "total cultural gifts" in section 752.0.10.1, paragraph *b* of sections 752.0.10.4 and 752.0.10.6 and section 752.0.10.7 of the Taxation Act, determine the fair market value of the cultural property."

3. The said Act is amended by inserting, after section 7.11, the following:

"DIVISION II

"DETERMINATION OF THE FAIR MARKET VALUE OF A CULTURAL PROPERTY

"**7.12.** For the purposes of paragraph *b*.1 of section 710, sections 710.2 and 712.0.1, paragraph *b* of the definition of "total cultural gifts" in section 752.0.10.1, paragraph *b* of sections 752.0.10.4 and 752.0.10.6 and section 752.0.10.7 of the Taxation Act (chapter I-3), where a certified archival centre or an accredited museum acquires cultural property by gift in accordance with its acquisition and conservation policy and with the directives of the Ministère de la Culture et des Communications, other than property described in section 232R1 of the Regulation respecting the Taxation Act (R.R.Q, 1981, chapter I-3, r.1), the centre or museum shall make a request in writing to the Commission for a determination of the fair market value of the property where required by the donor.

"**7.13.** The Commission may request any information and document that are relevant to the consideration of the request.

"**7.14.** Unless the circumstances of a particular case require otherwise, the Commission shall make a determination and provide the donor with a certificate within four months after the request is received.

The certificate shall set forth that the property was acquired by a certified archival centre or an accredited museum in accordance with its acquisition and conservation policy and with the directives of the Ministère de la Culture et des Communications, and indicate the fair market value of the property, determined by the Commission.

"**7.15.** The Commission shall transmit a copy of the certificate to the centre or museum that made the request and to the Minister of Revenue.

"DIVISION III

"APPEALS TO THE COURT OF QUÉBEC

"**7.16.** The donor may, within 90 days after the day on which the certificate referred to in section 7.14 is issued, appeal to the Court of Québec sitting for the district in which the donor resides or for the district of Québec or of Montréal, according to the district in which the determination would be appealable under article 30 of the Code of Civil Procedure (chapter C-25) if it were an appeal to the Court of Appeal, to have the fair market value determined by the Commission varied.

The time limit for appealing applies to determinations made by the Commission before (*insert the date of assent to this Act*), account being taken of the time already elapsed since the date on which the certificate was issued by the Commission.

"**7.17.** No appeal may be instituted after the expiry of 90 days following the day on which the certificate is issued.

However, where the donor was physically unable to act or to instruct another to act in the donor's name within the time prescribed and not more than one year has elapsed since the date of issue of the certificate, the donor may apply to a judge of the Court of Québec for an extension of the time limited by the first paragraph for appealing which may not go beyond the fifteenth day following the date of the judgment granting such extension.

"**7.18.** An appeal is brought by filing a motion at the office of the Court of Québec.

"**7.19.** The object of the appeal, the grounds on which it is based and the conclusions sought are stated in the motion which must be supported by an affidavit attesting the truth of any alleged facts. The motion must be accompanied by a notice of not less than ten days of its presentation.

"**7.20.** The appellant shall prepare an original and one copy of the motion, affidavit and notice. After payment of the court costs of $90 mentioned in section 7.21, the originals and copies are numbered by the clerk. The copies are certified true by the appellant or the appellant's attorney.

The clerk shall forthwith transmit the copies furnished by the appellant to the Commission which shall thereupon forward to the clerk the record relating to the determination appealed from.

"**7.21.** Upon the filing of the motion, the appellant shall pay to the clerk of the Court an amount of $90, which shall be paid into the consolidated revenue fund.

In no case may the Court compel an appellant to pay any additional costs.

"**7.22.** The appeal may be heard *in camera* if it is established to the satisfaction of the judge that the circumstances justify *in camera* proceedings.

"**7.23.** The judge may dismiss the appeal or vary the fair market value determined by the Commission and, for the purposes of the Taxation Act (chapter I-3), the fair market value determined by the judge is deemed to be the fair market value determined by the Commission.

"**7.24.** The clerk of the Court shall as soon as possible transmit a copy of the decision resulting from the appeal to the donor and to the Minister of Revenue.

"**7.25.** The decision of the Court is final and without appeal."

4. (1) Section 21 of the Highway Safety Code (R.S.Q., chapter C-24.2), amended by section 5 of chapter 56 of the statutes of 1996, is again amended by inserting, after subparagraph 4 of the first paragraph, the following subparagraph:

"(5) in respect of a road vehicle belonging to the class determined by regulation which is seven years old or less and whose value exceeds $40,000, pay, according to the calculation methods established by regulation, an additional duty which, computed on an annual basis, is equal to 1% of the value of the vehicle in excess of $40,000."

(2) Subsection 1 has effect from 1 January 1998.

5. (1) Section 31.1 of the said Code is amended

(1) by inserting, in the ninth line of the first paragraph and after "(chapter T-12)", the words "and, in respect of a road vehicle belonging to a class determined by regulation which is seven years old or less and whose value exceeds $40,000, an additional duty which, computed on an annual basis, is equal to 1% of the value of the vehicle in excess of $40,000";

(2) by inserting, in the fifth line of the second paragraph and after the word "duties", the words ", additional duty";

(3) by replacing, in the fourth line of the fourth paragraph, the words "and fees" by the words ", additional duty and fees".

(2) Subsection 1 has effect from 1 January 1998.

6. (1) Section 618 of the said Code, amended by section 8 of chapter 49 of the statutes of 1997, is again amended

(1) by inserting, in the second line of paragraph 8.5 and after the word "duties", the words "and of the additional duty";

(2) by inserting, in the first line of paragraph 8.7 and after the word "duties", the words "and additional duty";

(3) by inserting, in the third line of paragraph 8.8 and after the word "transit", the words "and the additional duty";

(4) by inserting, in the second line of paragraph 8.9 and after the word "duties", the words "and additional duty";

(5) by inserting, in the second, third and fourth lines of paragraph 11 and after the word "duties", the words "and additional duty";

(6) by inserting, in the third line of paragraph 11.2 and after the word "duties,", the words "additional duty,".

(2) Subsection 1 has effect from 1 January 1998.

7. (1) The said Code is amended by inserting, after section 619.3, the following section:

"**619.4.** The Government may determine, by regulation, a class of road vehicles which are seven years old or less, whose value exceeds $40,000 and in respect of which an additional duty corresponding, on an annual basis, to 1% of the value of the vehicle in excess of $40,000 is payable, as well as the rules for the calculation of the additional duty and the age of a vehicle and the rules for the determination of the value of a vehicle, which value determination rules may refer to a price or value fixed by another government, a body or a person specified by the regulation.

The regulation may provide that references to other texts include any subsequent amendments to those texts."

(2) Subsection 1 has effect from 1 January 1998.

ACT TO FOSTER THE DEVELOPMENT OF MANPOWER TRAINING

8. (1) The schedule to the Act to foster the development of manpower training (R.S.Q., chapter D-7.1) is amended

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

"2. In this schedule,

"employee" means an employee within the meaning of section 1 of the Taxation Act who reports for work at an establishment of his employer situated in Québec or to whom a salary or wages, if he is not required to report for work at an establishment of his employer, are paid from such an establishment situated in Québec;

"establishment" includes an establishment within the meaning of Chapter III of Title II of Book I of Part I of the Taxation Act;

"salary or wages" means the income computed in accordance with Chapters I and II of Title II of Book III of Part I of the Taxation Act, except section 43.3 of that Act and section 58.1 thereof, where it refers to an amount to be included in computing income under sections 979.9 to 979.11 of that Act, and any amount paid by an employer to a trustee or custodian, as the case may be, under a profit sharing plan, an employee trust or an employee benefit plan, within the meaning of section 1 of that Act.";

(2) by inserting, after paragraph 3, the following paragraphs:

"4. For the purposes of this schedule, where an employee is not required to report for work at an establishment of his employer and where his salary or wages are not paid from such an establishment situated in Québec, that employee is deemed to report for work at an establishment of his employer situated in Québec for a pay period if, in reference to the place where he mainly reports for work, the place where he mainly performs his duties, the establishment from where the employee is supervised, the nature of the duties performed by the employee or any other similar criterion, it may reasonably be considered that the employee for that pay period is an employee of that establishment.

"5. For the purposes of this schedule, where an employee of an establishment, situated elsewhere than in Québec, of an employer supplies a service in Québec to another employer that is not the employer of the employee, or for the benefit of such other employer, an amount that may reasonably be considered to be the salary or wages earned by the employee to supply the service is deemed to be salary or wages paid by the other employer, in the pay period during which payment of the salary or wages is made to the employee, to an employee of the other employer who reports for work at an establishment of that other employer situated in Québec where

(1) at the time the service is supplied, the other employer has an establishment situated in Québec;

(2) the service supplied by the employee

(*a*) is performed by the employee in the ordinary performance of his duties with his employer,

(*b*) is supplied to or for the benefit of the other employer in the course of regular and ongoing activities of an enterprise carried on by that other employer, and

(*c*) is in the nature of the services supplied by employees of employers carrying on the same type of enterprise as the enterprise referred to in subparagraph *b*; and

(3) the amount is not otherwise included in the total payroll of the other employer determined in accordance with this schedule.

"6. Paragraph 5 does not apply in respect of a pay period of any other employer referred to therein if the Minister is of the opinion that a reduction in the contribution payable under this Act by the employers referred to in that paragraph is not one of the objectives or anticipated results arising from the making or maintaining in force of

(1) the agreement pursuant to which the service is supplied by the employee referred to in that paragraph 5 to or for the benefit of the other employer; or

(2) any other agreement affecting the amount of the salaries and wages paid by the other employer in the pay period for the purposes of this schedule and where the Minister considers such agreement to be related to the agreement for the supply of services referred to in subparagraph 1."

(2) Paragraph 1 of subsection 1 applies from the year 1997.

(3) Paragraph 2 of subsection 1 applies in respect of salaries or wages paid or deemed to be paid after 25 March 1997.

MINING DUTIES ACT

9. (1) Section 1 of the Mining Duties Act (R.S.Q., chapter D-15), amended by section 1 of chapter 4 of the statutes of 1996 and by section 2 of chapter 39 of the statutes of 1996, is again amended

(1) by replacing the definition of "processing asset" by the following definition:

""processing asset" means property to which section 10 applies, situated in Québec, that is

(1) a processing plant;

(2) equipment used entirely or almost entirely for processing;

(3) property used mainly to supply water or energy to a processing plant;

(4) property for the stockpiling of a mineral substance and property for the ensuing handling thereof, used for the direct supply of, and immediately adjacent to, a processing plant;

(5) property used entirely or almost entirely for the handling or transportation of a mineral substance within a processing plant; or

(6) property used entirely or almost entirely for the handling or transportation of mine tailings emanating directly from a processing plant, to a mine tailings site or mine tailings heap;

but does not include

(7) property used during an activity preliminary to primary crushing;

(8) property used for the primary crushing of a mineral substance;

(9) subject to paragraphs 4, 5 and 6, property used for the transportation, handling, storage or marketing of a mineral substance;

(10) property used for the transportation of solid, liquid or gas fuel;

(11) subject to paragraph 6, property used in the operation of a mine tailings site or mine tailings heap, from the first deposit of tailings in an area laid out for that purpose; or

(12) subject to paragraph 3, service property;";

(2) by replacing the definition of "processing" by the following definition:

""processing" means any activity involving the concentration, smelting or refining of a mineral substance and includes any activity involving pelletization, the production of powder or the production of steel billets, or any other activity prescribed by regulation;";

(3) by adding the following definition in the appropriate alphabetical order:

""processing plant" means the whole or part of a building in which the processing of a mineral substance is carried out and which is used solely for that purpose."

(2) Subsection 1 has effect from 13 May 1994.

10. (1) Section 8 of the said Act, amended by section 4 of chapter 4 of the statutes of 1996 and by section 3 of chapter 39 of the statutes of 1996, is again amended by inserting, after subparagraph *h* of paragraph 2, the following subparagraph:

"(*h*.1) subject to sections 8.6 and 26.0.1, the amount deducted by the operator, for the fiscal year, as an additional depreciation allowance;".

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

11. (1) Section 8.0.1 of the said Act is amended by replacing, in paragraph 4, "10, 17 and 21" by "10, 17, 21 and 26.0.1".

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

12. (1) Section 8.6 of the said Act is replaced by the following section:

"**8.6.** The amount that an operator may claim as a depreciation allowance under subparagraph *d* of paragraph 2 of section 8 or as an additional depreciation allowance under subparagraph *h*.1 of that paragraph 2 for a fiscal year is reduced by the reasonable amount of the allowance that relates to the use of each property, in that fiscal year, for purposes other than mining operation."

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

13. (1) Section 19 of the said Act, replaced by section 5 of chapter 4 of the statutes of 1996, is again replaced by the following section:

"**19.** The allowance referred to in section 17 for a fiscal year shall not exceed 33 1/3% of the annual profit for that fiscal year, determined without reference to that allowance, the additional exploration allowance, the processing allowance, the additional depreciation allowance and the additional allowance for a northern mine referred to in subparagraphs *f* to *h*.1 and *j* of paragraph 2 of section 8."

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

14. (1) Section 19.3 of the said Act, replaced by section 6 of chapter 4 of the statutes of 1996, is again replaced by the following section:

"**19.3.** The annual ceiling on exploration expenses for a fiscal year is the amount corresponding to the annual profit for that fiscal year computed without reference to the additional exploration allowance, the processing allowance, the additional depreciation allowance and the additional allowance for a northern mine referred to in subparagraphs *g* to *h*.1 and *j* of paragraph 2 of section 8."

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

15. (1) Section 21 of the said Act, amended by section 7 of chapter 4 of the statutes of 1996, is again amended by replacing paragraph 2 by the following paragraph:

"(2) an amount that is 65% of the annual profit, for that fiscal year, determined before the deduction as a processing allowance, additional depreciation allowance and additional allowance for a northern mine referred to in subparagraphs *h*, *h*.1 and *j* of paragraph 2 of section 8."

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

16. (1) The said Act is amended by inserting, before Division V.1 of Chapter III, the following:

"DIVISION V.0.1

"ADDITIONAL DEPRECIATION ALLOWANCE

"26.0.1. Subject to section 26.0.2, the amount deductible by an operator as an additional depreciation allowance, in relation to a processing plant, in computing annual profit for a fiscal year under subparagraph *h*.1 of paragraph 2 of section 8, shall not exceed the lesser of

(1) the aggregate of the amounts each of which is 15% of the capital cost to the operator of each property, described in the second paragraph, in relation to that processing plant;

(2) $50,000,000;

(3) the amount by which the aggregate of all amounts each of which is an amount allowed, in relation to that processing plant, under subparagraph *h*.1 of paragraph 2 of section 8 in computing the annual profit of the operator for a preceding fiscal year is exceeded by the lesser of

(*a*) the aggregate of the amounts each of which is the capital cost to the operator of each property, described in the second paragraph, in relation to that processing plant; and

(*b*) $350,000,000;

(4) an amount that is the amount by which 65% of the annual profit of the operator for the fiscal year, determined before deductions as a processing allowance, additional depreciation allowance and additional allowance for a northern mine referred to in subparagraphs *h*, *h*.1 and *j* of paragraph 2 of section 8 exceeds the amount deducted for the fiscal year under that subparagraph *h*; and

(5) zero, if the aggregate of all amounts, each of which is the capital cost to the operator of each property, described in the second paragraph, in relation to that processing plant, is less than $300,000,000.

Property to which the first paragraph refers is a processing asset that

(1) was acquired new by the operator after 25 March 1997 and before 1 April 1998, otherwise than as property to replace or modernize any other processing asset;

(2) was used for the first time by the operator after 25 March 1997 and before 1 April 1998; and

(3) is regularly used by the operator in the fiscal year and is in the operator's possession at the end of that year.

"**26.0.2.** Where the fiscal year of an operator comprises fewer than 12 months, the amount referred to in subparagraph 2 of the first paragraph of section 26.0.1 and each of the amounts determined under subparagraphs 1 and 3 of that paragraph shall be reduced respectively by the proportion of those amounts that the number of days by which 365 exceeds the number of days in the fiscal year is of 365.

"**26.0.3.** Where in a fiscal year an operator is associated, within the meaning of Chapter IX of Title II of Book I of Part I of the Taxation Act (chapter I-3), with one or more other operators, each of the amounts referred to in subparagraph 2 and subparagraph *b* of subparagraph 3 of the first paragraph of section 26.0.1 shall be allocated among the operators in the proportion established pursuant to an agreement a copy of which shall be sent to the Minister within six months after the end of their fiscal year and the amount allocated or the aggregate of the amounts allocated shall be equal to, for an amount referred to in that subparagraph 2, $50,000,000 and, for the amount referred to in that subparagraph *b*, $350,000,000.

In the absence of an agreement, or if the proportion is not established in a reasonable manner, the Minister shall allocate each of the amounts referred to in subparagraph 2 and subparagraph *b* of subparagraph 3 of the first paragraph of section 26.0.1 as is reasonable in the circumstances."

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

17. (1) Section 35.3 of the said Act, amended by section 11 of chapter 4 of the statutes of 1996 and by section 5 of chapter 39 of the statutes of 1996, is again amended by adding, after paragraph 8, the following paragraph:

"(9) each of the amounts allowed before the amalgamation to a predecessor legal person, as a deduction in computing annual profit under subparagraph *h*.1 of paragraph 2 of section 8, is deemed to be an amount so allowed the new legal person as a deduction."

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

18. (1) Section 35.4 of the said Act is amended

(1) by replacing, in the portion before paragraph 1, the words "Where an operator, hereinafter referred to as the "purchaser", acquires property described in section 9, otherwise than as part of an amalgamation, from another operator to whom he is related" by the words "Where a person or a partnership, hereinafter referred to as the "purchaser", acquires property described in section 9, otherwise than as part of an amalgamation, from another person or partnership to whom the operator is related";

(2) by replacing, in paragraph 2, "paragraphs 3 and 4" by "paragraphs 3, 4 and 6";

(3) by adding, after paragraph 5, the following paragraph:

"(6) for the purposes of section 26.0.1 where the purchaser acquired from the former owner all or substantially all of the processing assets owned by him immediately before the acquisition,

(*a*) the property is deemed to have a capital cost to the purchaser equal to the capital cost of the property to the former owner;

(*b*) the property is deemed to have been acquired new by the purchaser at the same time as the property was acquired new by the former owner;

(*c*) the property is deemed to have been used for the first time by the purchaser at the same time as the property was used for the first time by the former owner; and

(*d*) each of the amounts allowed to the former owner as an additional depreciation allowance under subparagraph *h*.1 of paragraph 2 of section 8 is deemed to have been so allowed to the purchaser as a deduction."

(2) Subsection 1 applies to fiscal years that end after 25 March 1997.

19. (1) Section 70 of the said Act is amended by replacing, in the first paragraph, "sections 1071 to 1079 of the Taxation Act (chapter I-3) and the said sections apply *mutatis mutandis*" by the words "Chapter III.2 of the Act respecting the Ministère du Revenu (chapter M-31) and that chapter applies, with the necessary modifications,".

(2) Subsection 1 applies from 1 January 1998.

NATIONAL HOLIDAY ACT

20. (1) Section 4 of the National Holiday Act (R.S.Q., chapter F-1.1) is amended by replacing the second paragraph by the following paragraph:

"Notwithstanding the first paragraph, in the case of an employee who is an individual referred to in section 42.11 of the Taxation Act (chapter I-3), the indemnity is computed on the basis of the wage increased by the tips allocated under that section 42.11."

(2) Subsection 1 applies from the first pay period that begins after 31 December 1997.

ACT RESPECTING MUNICIPAL TAXATION

21. (1) Section 220.10 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1) is amended by replacing "Sections 1057 to 1062 and 1066 to 1079 of the Taxation Act (chapter I-3)" by "Chapters III.1 and III.2 of the Act respecting the Ministère du Revenu (chapter M-31)".

(2) Subsection 1 applies from 1 January 1998.

TOBACCO TAX ACT

22. (1) Section 8 of the Tobacco Tax Act (R.S.Q., chapter I-2), amended by section 9 of chapter 1 of the statutes of 1995 and by section 8 of chapter 63 of the statutes of 1995, is again amended by replacing paragraphs *a* to *d* by the following paragraphs:

"(*a*) $0.0267 per cigarette and per cigar sold at a retail price of $0.15 or less;

"(*b*) $0.0104 per gram of any loose tobacco;

"(*b*.1) $0.0052 per gram of any leaf tobacco;

"(*c*) 56% of the retail price of each cigar other than a cigar sold at a retail price of $0.15 or less;

"(*d*) $0.0262 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars."

(2) Subsection 1 has effect from 26 March 1997. However, for the period that begins on 29 November 1996 and ends on 25 March 1997, paragraphs *a* to *d*, replaced by subsection 1, shall be read as follows:

"(*a*) $0.0253 per cigarette and per cigar sold at a retail price of $0.15 or less;

"(*b*) $0.0099 per gram of any loose tobacco;

"(*b*.1) $0.0045 per gram of any leaf tobacco;

"(*c*) 55% of the retail price of each cigar other than a cigar sold at a retail price of $0.15 or less;

"(*d*) $0.0227 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars."

TAXATION ACT

23. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 11 of chapter 1 of the statutes of 1995, by section 1 of chapter 49 of the statutes of 1995, by section 12 of chapter 63 of the statutes of 1995, by section 8 of chapter 39 of the statutes of 1996, by section 13 of chapter 3 of the statutes of 1997, by section 10 of chapter 14 of the statutes of 1997 and by section 2 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in the French text, the definition of "courtier en valeurs mobilières inscrit" by the following definition:

"«courtier en valeurs mobilières inscrit» signifie une personne qui, en raison du fait qu'elle est inscrite ou titulaire d'un permis en vertu de la législation d'une province, est autorisée à négocier des titres à titre de mandataire ou de contrepartiste, sans restriction quant à la nature ou au type de titres qu'elle négocie;";

(2) by replacing the definition of "specified investment business" by the following definition:

""specified investment business" has the meaning assigned by section 771.1;";

(3) by replacing, in the French text, paragraph *b* of the definition of "prêt à la réinstallation" by the following paragraph:

"*b*) le prêt sert à acquérir une habitation ou une part du capital social d'une coopérative d'habitation acquise dans le seul but d'acquérir le droit d'habiter une habitation dont la coopérative est propriétaire, lorsque l'habitation est pour l'usage du particulier et constitue sa nouvelle résidence;".

(2) Paragraph 2 of subsection 1 has effect from 26 March 1997.

24. (1) Section 2 of the said Act, amended by section 12 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**2.** Unless the context indicates otherwise, for the purposes of this Part and the regulations, except for the definition of "person of Indian ancestry" in section 725.0.1, words referring to the father or mother of a taxpayer include a person whose child the taxpayer is, a person whose child the taxpayer had previously been within the meaning of paragraph *b* of the definition of "child" in section 1, or a person who is the father or mother of the taxpayer's spouse."

(2) Subsection 1 applies from the taxation year 1997.

25. (1) Section 25 of the said Act, amended by section 14 of chapter 1 of the statutes of 1995, by section 17 of chapter 63 of the statutes of 1995 and by section 17 of chapter 14 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph:

"The tax payable under sections 750 and 751 by an individual referred to in the first paragraph is equal to the portion of the tax that the individual would pay, but for this paragraph, under those sections on the individual's taxable income determined under section 24 if the individual were resident in Québec, that is the proportion, which shall not exceed 1, that that income earned in Québec is of the amount by which the amount that would have been the individual's income, computed without reference to section 1029.8.50, had the individual been resident in Québec on the last day of the taxation year, exceeds any amount deducted by the individual under any of sections 726.20.2, 737.16, 737.16.1, 737.21, 737.22.0.3, 737.25 and 737.28 in computing that taxable income."

(2) Subsection 1 applies from the taxation year 1997.

26. (1) Section 29 of the said Act, amended by section 15 of chapter 1 of the statutes of 1995 and by section 18 of chapter 63 of the statutes of 1995, is again amended by striking out, in subparagraph *a* of the third paragraph, "sections 337 and 337.1,".

(2) Subsection 1 applies from the taxation year 1997.

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

"**31.** For the purpose of computing a taxpayer's income for a taxation year, and unless otherwise prescribed,

(*a*) any deduction allowed to the taxpayer under a provision of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing the taxpayer's income for a preceding taxation year in respect of which the taxpayer or, in the case of a partnership, each of the members, was not subject to tax under this Part, is deemed to have also been allowed to the taxpayer under the corresponding provision of this Part in computing the taxpayer's income for that preceding year;

(*b*) where, for the purposes of Part I of the Income Tax Act, the cost, the capital cost or the cost amount of property, to the taxpayer, determined as a consequence of the application of a particular provision of that Act in respect of a transaction or event that occurred during a preceding taxation year described in paragraph *a*, is different from that which it would have been at that time but for that provision, the corresponding provision of this Part is deemed, for the purpose of determining the cost, the capital cost or the cost amount, as the case may be, of the property to the taxpayer for the purposes of this Part, to have applied in respect of the property at the same time and for the same amounts as for the application of the particular provision in respect of the property."

(2) Subsection 1 applies to taxation years that end after 16 October 1997.

28. (1) Section 36.1 of the said Act, enacted by section 16 of chapter 1 of the statutes of 1995, is repealed.

(2) Subsection 1 applies from the taxation year 1997.

29. (1) Section 39 of the said Act, amended by section 21 of chapter 63 of the statutes of 1995, is again amended

(1) by replacing, in the English text, the portion before subparagraph ii of paragraph *a* by the following:

"**39.** An individual is not required to include in computing the individual's income

(*a*) travel, personal or living expense allowances

i. expressly established by the laws of Canada and which, where they are received in the year by an individual in relation to an office held by the individual as a member of the Senate or of the House of Commons of Canada, exceed the amount determined in respect of the individual for that year under section 39.1,";

(2) by replacing, in the English text, subparagraph iii of paragraph *a* by the following subparagraph:

"iii. paid under the authority of the Treasury Board of Canada to a person who was appointed or whose services were engaged pursuant to the Inquiries Act (Revised Statutes of Canada, 1985, chapter I-11) in respect of the discharge of the person's duties relating to such appointment or engagement;";

(3) by replacing, in the English text, paragraphs *b* to *e* by the following paragraphs:

"(*b*) travel and separation allowances received by the individual under service regulations as a member of the Canadian Forces;

"(*c*) representation or other special allowances received by the individual in respect of a period of absence from Canada as a person described in paragraph *b*, *c* or *d* of section 8;

"(*d*) representation or other special allowances received by the individual as an agent-general of a province in respect of a period while the individual was in Ottawa in such capacity;

"(*e*) reasonable allowances received by the individual as a minister or clergyman in charge of or ministering to a diocese, parish or congregation for transportation incident to the discharge of the duties of that office or employment;";

(4) by striking out paragraph *f*;

(5) by replacing, in the English text, paragraph *f*.1 by the following paragraph:

"(*f*.1) allowances not exceeding a reasonable amount received by the individual for the purchase or care of distinctive clothing the individual is required to wear, under the terms of the individual's contract of employment, in the performance of the duties of the employment; and";

(6) by inserting, after paragraph *f*.1, the following paragraph:

"(*f*.2) allowances received by the individual for expenses incidental to the individual's relocation, by reason of a change in the location of employment

with the individual's employer, up to an amount not exceeding an amount equal to two weeks' salary, calculated on the basis of the salary paid to the individual on the date of reassignment;";

(7) by replacing, in the English text, paragraph *g* by the following paragraph:

"(*g*) travel, personal, living or representation expense allowances determined by regulation."

(2) Paragraphs 4 and 6 of subsection 1 apply from the taxation year 1997.

30. Section 39.1 of the said Act is amended, in the English text, by replacing paragraph *a* by the following paragraph:

"(*a*) 6% of the individual's income for the year from an office held by the individual as a member of the Senate or of the House of Commons of Canada, determined by taking into account travel, personal or living expense allowances expressly established by the laws of Canada, which the individual receives in the year in relation to such office;".

31. Sections 39.4 and 39.5 of the said Act, enacted by section 18 of chapter 14 of the statutes of 1997, are replaced, in the English text, by the following sections:

"**39.4.** An individual who is a member of the council of a regional county municipality is not required to include in computing the individual's income for a taxation year an amount received by the individual in the year from the municipality as an allowance for, or reimbursement of, travel expenses other than those incident to the discharge of the individual's duties as such a member, to the extent that the amount does not exceed a reasonable amount.

"**39.5.** An individual who had part-time employment with an employer with whom the individual was dealing at arm's length and who during a period throughout which the individual had that employment, had other employment or was carrying on a business, is not required to include in computing the individual's income for a taxation year an amount received by the individual in the year from that employer as an allowance for, or reimbursement of, travel expenses other than expenses incurred in the performance of the duties of the individual's part-time employment, to the extent that the amount does not exceed a reasonable amount, if the duties of the part-time employment must be performed at a location not less than 80 kilometres from both the individual's ordinary place of residence and the principal place of the individual's other employment or the principal place of the individual's business."

32. Section 40 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995, is replaced, in the English text, by the following section:

"**40.** An individual is not required to include in computing the individual's income,

(*a*) reasonable allowances for travel expenses received by the individual from the individual's employer in respect of any period when the individual was employed in connection with the selling of property or negotiating of contracts for the employer;

(*b*) reasonable allowances for travel expenses, other than allowances for the use of a motor vehicle, received from the employer by the individual as an employee, other than an employee referred to in paragraph *a*, for travelling away from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment at which the employee ordinarily works or with which the employee is ordinarily connected is located, in the performance of the duties of the employment; or

(*c*) reasonable allowances for the use of a motor vehicle received by the individual as an employee, other than an employee referred to in paragraph *a*, from the employer for travelling in the performance of the duties of the employment."

33. (1) Section 42.0.1 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs:

"(*a*) the transportation of the individual between the individual's ordinary place of residence and the individual's work location, including parking near that location, if the individual is blind or paragraphs *a* to *c* of section 752.0.14 apply in respect of the individual for the year by reason of the individual's mobility impairment; or

"(*b*) an attendant to assist the individual in the performance of the individual's duties if paragraphs *a* to *c* of section 752.0.14 apply in respect of the individual for the year."

(2) Subsection 1 applies from the taxation year 1998.

34. (1) Sections 42.1 to 42.5 of the said Act are repealed.

(2) Subsection 1 applies from 1 January 1998. In addition, where an agreement is entered into by an individual and an employer after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1), enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), it applies to tips that the individual receives or benefits from in the performance of employment duties with that employer after the agreement is entered into.

35. (1) The said Act is amended by inserting, after section 42.5, the following sections:

"**42.6.** In this division,

"regulated establishment" means, subject to section 42.7,

(*a*) a place situated in Québec specially laid out where lodging or food for consumption on the premises is ordinarily provided in return for payment;

(*b*) a place situated in Québec where alcoholic beverages are served for consumption on the premises in return for payment;

(*c*) a railway train or a vessel, operated in connection with a business carried on entirely or almost entirely in Québec and on which food or beverages are served;

(*d*) a place situated in Québec where, in connection with the carrying on of a business, food or beverages for consumption elsewhere than on the premises are provided in return for payment;

"tippable sale" means a sale in a regulated establishment that, in keeping with the prevailing custom in Québec, is likely to entail tipping by the customer, but does not include a sale of food or beverages for consumption elsewhere than on the premises of the regulated establishment.

"**42.7.** For the purposes of the definition of "regulated establishment" in section 42.6, a regulated establishment does not include

(*a*) a place situated in Québec where mainly lodging or food, or both, are provided by the week, month or year in return for payment;

(*b*) a place where the activity consisting in the providing of food and beverages is carried on by an educational institution, a hospital institution, a shelter for needy persons or victims of violence or any other similar establishment;

(*c*) a place where the activity consisting in the providing of food and beverages is carried on by a charity or a similar organization but is not carried on on a regular basis;

(*d*) a cafeteria;

(*e*) a fast food outlet in which the employees do not ordinarily receive tips from the majority of customers.

"**42.8.** An individual shall, in computing income for the year, include the tips the individual receives or benefits from, except

(*a*) tips remitted to another individual under a tip-sharing arrangement that has been implemented for the employees performing their employment duties for the same regulated establishment as the regulated establishment for which the individual performs employment duties, and that is managed by the employees;

(*b*) the portion of tips not covered in paragraph *a* and that is equal to the amount remitted to the individual's employer pursuant to a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (chapter N-1.1); and

(*c*) tips in respect of which the individual is not required under section 97.8 of the Act respecting labour standards to enter into a tip remittance agreement and that are service charges.

"**42.9.** An individual performing employment duties for a regulated establishment is not required in computing income for the year to include the portion of the individual's salary, wages or other remuneration that is equal to the amount borne by the individual in the year as credit card costs in relation to the remittance of the individual's tips.

"**42.10.** An individual shall, in computing income for the year, include all tips attributed to the individual in the year pursuant to section 42.11.

"**42.11.** Every person who employs an individual who receives or benefits from tips in the performance of employment duties for a regulated establishment shall attribute to that individual, at each pay period, an amount equal to the amount by which 8% of the total of the amounts of all tippable sales that are attributable to the pay period and to that individual in the performance of employment duties for the regulated establishment exceeds the total of the amounts of each tip in respect of tippable sales that is attributable to the pay period and to the individual in the performance of employment duties for the regulated establishment.

"**42.12.** Section 42.11 does not apply to an individual in relation to employment duties performed by the individual for a regulated establishment where all or substantially all of the tips the individual receives or benefits from in the performance of employment duties are derived from service charges paid by the customers of the regulated establishment and where

(*a*) the service charges required from the customer in respect of a tippable sale are, in all or substantially all cases, equal to at least 10% of the amount of the tippable sale;

(*b*) the customers are informed of the mandatory nature of the service charges and of the percentage charged in relation to the amount of tippable sales; and

(*c*) the tip-sharing arrangement, if any, is not managed by the employees.

In addition, section 42.11 does not apply, for a pay period, to an individual in relation to employment duties as a cloakroom attendant performed for a regulated establishment or to an individual in relation to employment duties performed for a regulated establishment where

(*a*) all or substantially all of the tips the individual receives or benefits from during the pay period are derived from a redistribution of tips received or benefited from by other individuals;

(*b*) the individual is employed by a corporation that operates the regulated establishment and the shares of the capital stock of which carrying voting rights in all circumstances are more than 40% held, at the end of the pay period, by the individual or the individual's spouse;

(*c*) the individual is employed by a partnership that operates the regulated establishment and the share of the individual's spouse of the income or loss of the partnership for a fiscal period ending at the end of the pay period is equal to more than 40% of the income or loss of the partnership or, where no fiscal period of the partnership ends with the end of the pay period, would be equal to more than 40% of the income of the partnership, if the end of the partnership's fiscal period coincided with the end of the pay period and the partnership's income for that fiscal period were equal to $1,000,000; or

(*d*) the individual is employed by the individual's spouse.

"**42.13.** For the purposes of sections 42.11 and 42.14, the following rules apply:

(*a*) subject to paragraph *b*, a tippable sale is attributable to the pay period during which the sale was made;

(*b*) where the proceeds of a tippable sale in a regulated establishment are not received by the operator of the regulated establishment before the end of the pay period referred to in paragraph *a* in respect of that tippable sale, and where remittance of the tip attributable to that sale to the individual in respect of whom the sale is attributable, is deferred to a time after that pay period, the sale is attributable to the pay period during which the proceeds of the sale are received by the operator of the regulated establishment;

(*c*) a tip in respect of a sale made to a customer that is a tippable sale attributable to an individual, means the amount by which the tip determined by the customer in respect of the sale, including the portion of the tip to be remitted to another individual under a tip-sharing arrangement in effect in the regulated establishment, exceeds the amount borne by the individual as credit card costs in relation to the remittance of the tip;

(*d*) subject to paragraph *e*, a tip in respect of a tippable sale is attributable to the pay period during which the sale is made;

(*e*) where the proceeds of a tippable sale in a regulated establishment are not received by the operator of the regulated establishment before the end of the pay period referred to in paragraph *d* in respect of that sale, and where remittance of the tip attributable to that sale to the individual in respect of whom the sale is attributable, is deferred to a time after that pay period, the tip

is attributable to the pay period during which the proceeds of the sale are received by the operator of the regulated establishment.

"**42.14.** Every person who operates a regulated establishment for which an individual performs employment duties without being employed by the regulated establishment shall declare in writing to the employer of that individual in relation to those duties, at the end of each pay period of that employer, the total of the amounts of each of the tippable sales attributable to the individual and at that pay period.

"**42.15.** Where the Minister considers it necessary, the Minister may determine, in respect of a regulated establishment or class of sales of a regulated establishment, a percentage that is lesser than the percentage mentioned in section 42.11.

The Minister may determine, in respect of a regulated establishment or a class of sales of a regulated establishment, a percentage that is lesser than the percentage mentioned in section 42.11 if the person who is to attribute an amount under that section applies therefor or, where that person refuses to do so, if the majority of individuals performing their employment duties for the regulated establishment or for a class of sales of the regulated establishment apply therefor and demonstrate to the satisfaction of the Minister that the percentage of 8% is too high having regard to the circumstances.

The percentage so determined shall not, however, be less than 5%."

(2) Subsection 1, where it enacts sections 42.6 to 42.9 of the said Act, except where it enacts the definition of "tippable sale" in section 42.6 of the said Act, applies from 1 January 1998. In addition, where an agreement is entered into by an individual and an employer after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1), enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), sections 42.6, without reference to the definition of "tippable sale", and 42.7 to 42.9 of the said Act, enacted by subsection 1, apply to tips that the individual receives or benefits from in the performance of employment duties with that employer after the agreement is entered into.

(3) Subsection 1, where it enacts the definition of "tippable sale" in section 42.6 and sections 42.10 to 42.15 of the said Act, applies from the first pay period of an employer that begins after 31 December 1997.

36. The heading of Division III of Chapter III of Title II of Book II of Part I of the said Act is replaced, in the English text, by the following heading:

"SALESMEN'S EXPENSES AND TRAVEL EXPENSES".

37. Section 62 of the said Act is amended, in the English text,

(1) by replacing subsections 1 and 2 by the following subsections:

"(1) An individual whose office or employment is connected with the selling of property or negotiating of contracts for the individual's employer may, in accordance with this division, deduct the amounts expended by the individual in the year to earn the income from the office or employment, if the individual is required, under the contract of employment, to pay the individual's own expenses, if the individual is required to carry on all or part of the duties of the office or employment away from the employer's place of business, and if the individual is remunerated in whole or in part by commissions or other similar amounts fixed by reference to the volume of the sales made or the contracts negotiated.

"(2) An individual shall not claim a deduction under this section if the individual receives an allowance for travel expenses that is not required to be included in computing the individual's income under paragraph *a* of section 40.";

(2) by replacing paragraph *b* of subsection 3 by the following paragraph:

"(*b*) outlays or expenses that, under section 134, would not be deductible in computing the individual's income for the year if the office or employment were a business carried on by the individual, or".

38. Section 63 of the said Act is replaced, in the English text, by the following section:

"**63.** An individual may deduct amounts expended by the individual in the year, other than motor vehicle expenses, for travelling in the course of the office or employment, if the individual is required to perform all or part of the duties of the office or employment away from the employer's place of business or in different places and is required under the contract of employment to pay the travel expenses incurred by the individual in the performance of the duties of the office or employment.

An individual shall not claim any deduction under this section if the individual receives an allowance for travel expenses that is not required to be included in computing the individual's income for the year by reason of paragraph *e* of section 39 or paragraph *a* or *b* of section 40, or if the individual claims a deduction for the year under section 62, 65.1, 66 or 67."

39. (1) The said Act is amended by inserting, after section 78.6, the following section:

"**78.7.** An individual may deduct, in computing the individual's income for a taxation year from all employments of the individual as a volunteer fireman, a single amount equal to the lesser of $600 and the aggregate of the individual's income for the year from each employment as a volunteer fireman, computed without reference to this chapter.

However, an individual shall not deduct such an amount if the individual performs, in the year, the duties of a fireman for more than 200 hours or if the aggregate of the individual's income for the year from each employment as a fireman, computed without reference to this chapter, exceeds $3,000.

For the purposes of the first paragraph, an individual holds employment as a volunteer fireman during a taxation year where, as a fireman, the individual is called upon to act, in the year, in almost all cases, for immediate assistance in emergency or disaster situations or for emergency response training."

(2) Subsection 1 applies from the taxation year 1997.

40. (1) Section 87 of the said Act, amended by section 21 of chapter 1 of the statutes of 1995, by section 32 of chapter 49 of the statutes of 1995, by section 26 of chapter 63 of the statutes of 1995, by section 27 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997, by section 29 of chapter 14 of the statutes of 1997 and by section 11 of chapter 31 of the statutes of 1997, is again amended by replacing subparagraph ii of paragraph *w* by the following subparagraph:

"ii. except as provided in sections 1029.8.18, 1029.8.18.0.1, 1029.8.21.9 and 1029.8.32, in subparagraph i of subparagraphs *a* and *b* of the first paragraph of section 1029.8.33.3, in subparagraph *c* of the first paragraph of section 1029.8.33.3, in section 1029.8.33.7.1, in subparagraph *e* of the second paragraph of section 1029.8.34, in section 1029.8.36.0.1, in the definition of "qualified wages" in the first paragraph of sections 1029.8.36.0.4 and 1029.8.36.4, in sections 1029.8.36.0.9 and 1029.8.36.18 and in subparagraph *a* of the third paragraph of section 1029.8.36.54, does not reduce, for the purposes of this Part, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be,".

(2) Subsection 1 has effect from 26 March 1997.

41. (1) Section 119.5 of the said Act, amended by section 28 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the portion before paragraph *a*, "771.8.2" by "771.8.5".

(2) Subsection 1 has effect from 26 March 1997.

42. Section 133 of the said Act is replaced, in the English text, by the following section:

"**133.** A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, personal or living expenses of the taxpayer, other than travel expenses incurred by the taxpayer while away from home in the course of carrying on the taxpayer's business."

43. (1) The said Act is amended by inserting, after section 135.3.1, the following section:

"**135.3.2.** No individual may deduct, in computing the individual's income from a business or property for a taxation year, an amount paid in that year or payable in respect of that year as safety deposit box rental fees with a financial institution."

(2) Subsection 1 applies from the taxation year 1998.

44. (1) Section 156.2 of the said Act is amended by replacing, in the first paragraph, "25%" by "20%".

(2) Subsection 1 applies in respect of property acquired by a taxpayer after 25 March 1997, other than property acquired pursuant to an agreement in writing entered into before 26 March 1997 or the construction of which, by or on behalf of the taxpayer, began before 25 March 1997.

45. (1) Section 156.3 of the said Act, amended by section 199 of chapter 1 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the first paragraph, "25%" by "20%".

(2) Subsection 1 applies in respect of property acquired by a taxpayer after 25 March 1997, other than property acquired pursuant to an agreement in writing entered into before 26 March 1997 or the construction of which, by or on behalf of the taxpayer, began before 25 March 1997.

46. (1) The said Act is amended by inserting, after section 156.4, the following:

"**DIVISION VIII.2**

"SUPPLEMENTARY DEDUCTION IN RESPECT OF CERTAIN INVESTMENTS

"**156.5.** Subject to the second paragraph, a taxpayer other than a trust may deduct, in computing the taxpayer's income from a business for a taxation year,

(*a*) where the taxpayer is an individual, the proportion of the amount determined for the year in respect of the individual under the first paragraph of section 156.6 that the aggregate of the income earned in Québec and elsewhere by the individual for the year is of the income earned in Québec by the individual for the year;

(*b*) where the taxpayer is a corporation, the proportion of the amount determined for the year in respect of the corporation under the first paragraph of section 156.6 that the aggregate of the business carried on in Canada or Québec and elsewhere by the corporation in the year is of the business carried on in Québec by the corporation in the year; or

(*c*) where the taxpayer is a partnership, the amount determined for the year in respect of the partnership under the second paragraph of section 156.6.

A taxpayer may not, under the first paragraph, deduct in computing the taxpayer's income from a business for a taxation year an amount in respect of property acquired from a person with whom the taxpayer was not dealing at arm's length at the time of the acquisition, if that person was entitled to deduct, for a taxation year preceding the taxation year in which the property was disposed of, an amount in computing the taxpayer's income from a business under the first paragraph in respect of the property.

"**156.6.** The amount to which subparagraphs *a* and *b* of the first paragraph of section 156.5 refer in relation to a taxpayer for a taxation year, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the taxpayer under paragraph *a* of section 130 or the second paragraph of section 130.1, in computing the taxpayer's income for the year, in respect of property acquired before 1 January 1999 which is prescribed depreciable property for the purpose, where the taxpayer is an individual, of subparagraph *a* of the second paragraph of section 156.2, and where the taxpayer is a corporation, of subparagraph *a* of the second paragraph of section 156.3.

The amount to which subparagraph *c* of the first paragraph of section 156.5 refers in relation to a taxpayer that is a partnership for a taxation year, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the taxpayer under paragraph *a* of section 130 or the second paragraph of section 130.1, in computing the taxpayer's income for the year, in respect of property acquired before 1 January 1999 which would be prescribed depreciable property for the purpose of subparagraph *a* of the second paragraph of section 156.3 if the partnership were a corporation.

"**156.7.** For the purposes of section 156.5,

(*a*) the computation of income earned in Québec and of income earned in Québec and elsewhere is made in the manner prescribed in the regulations made under section 22, with the necessary modifications; and

(*b*) the computation of business carried on in Canada, business carried on in Québec and business carried on in Québec and elsewhere is made in the manner prescribed in the regulations made under section 771, with the necessary modifications."

(2) Subsection 1 applies in respect of property acquired by a taxpayer after 25 March 1997, other than property acquired by the taxpayer pursuant to a written agreement entered into before 26 March 1997 or the construction of which by or on behalf of the taxpayer had begun before 25 March 1997.

47. Section 230.0.0.3 of the said Act, enacted by section 29 of chapter 1 of the statutes of 1995, is amended in the French text by replacing the words "une gratification" and "la gratification" respectively by the words "un boni" and "le boni".

48. (1) Section 234 of the said Act, amended by section 63 of chapter 39 of the statutes of 1996 and by section 52 of chapter 14 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

"**234.** Unless otherwise provided in this Part, the gain from the disposition of property shall be computed by subtracting from the proceeds of disposition the aggregate of

(*a*) the adjusted cost base of that property immediately before the disposition and the expenses made or incurred by the taxpayer for the purpose of making the disposition; and

(*b*) subject to section 234.1, an amount not exceeding the least of

i. the reasonable amount that the taxpayer may claim as a reserve in respect of the portion of the gain equal to such proportion that the portion of the proceeds of disposition that are payable to the taxpayer after the end of the year is of the total proceeds of disposition,

ii. the amount equal to the product obtained when 1/5 of the gain is multiplied by the amount, if any, by which 4 exceeds the number of preceding taxation years of the taxpayer ending after the disposition of the property, and

iii. the amount that the taxpayer may claim as a deduction for the year, under subparagraph iii of paragraph *a* of subsection 1 of section 40 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in computing, for the purposes of that Act, the taxpayer's gain for the year from that disposition."

(2) Subsection 1 applies in respect of dispositions occurring during a taxation year that ends after 16 October 1997.

49. (1) Section 255 of the said Act, amended by section 61 of chapter 49 of the statutes of 1995, by section 72 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 54 of chapter 14 of the statutes of 1997, is again amended by replacing, in the portion of paragraph *e* before subparagraph i, the words "the taxpayer and the corporation have made an election under section 518 or 529" by the words "section 518 or 529 applies".

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

50. (1) Section 309.1 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1997.

51. (1) Section 311 of the said Act, amended by section 75 of chapter 49 of the statutes of 1995, by section 34 of chapter 63 of the statutes of 1995 and

by section 290 of chapter 14 of the statutes of 1997, is again amended by inserting, after paragraph *k*.1, the following paragraphs:

"(*k*.2) a pension under the Automobile Insurance Act (chapter A-25) or a prescribed law of another province;

"(*k*.3) an indemnity under the Act to promote good citizenship (chapter C-20);

"(*k*.4) a compensation under the Crime Victims Compensation Act (chapter I-6) or a prescribed law of another province;

"(*k*.5) an indemnity under section 36 of the Act respecting occupational health and safety (chapter S-2.1);".

(2) Subsection 1 applies from the taxation year 1997.

52. (1) Section 311.1 of the said Act, replaced by section 31 of chapter 1 of the statutes of 1995 and by section 35 of chapter 63 of the statutes of 1995, is again replaced by the following section:

"**311.1.** A taxpayer shall also include any amount, other than a prescribed amount, received in the year by the taxpayer as a social assistance payment based on a means, needs or income test, to the extent that such amount is not otherwise required to be included in computing the taxpayer's income for a taxation year from a business or property."

(2) Subsection 1 applies in respect of social assistance payments received after 31 December 1997.

53. (1) Section 312 of the said Act, amended by section 32 of chapter 1 of the statutes of 1995, by section 76 of chapter 49 of the statutes of 1995, by section 290 of chapter 14 of the statutes of 1997 and by section 44 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in the English text, paragraphs *a* and *b* by the following paragraphs:

"(*a*) an amount received under a decree, order or judgment of a competent tribunal or under a written agreement, as alimony or other allowance payable on a periodic basis for the maintenance of the recipient thereof, a child of the recipient or both the recipient and child, if the recipient, because of the breakdown of the recipient's marriage occurring before 1 January 1993, was separated pursuant to a divorce, judicial separation or written separation agreement and was living separate and apart from the spouse or former spouse who was required to make the payment at the time the payment was received and throughout the remainder of the year;

"(*b*) an amount received under an order of a competent tribunal, as an allowance payable on a periodic basis for the maintenance of the taxpayer, the

children of the taxpayer, or both the taxpayer and the children, if, at the time the payment was received and throughout the remainder of the year, the taxpayer, because of the breakdown of the taxpayer's marriage occurring before 1 January 1993, was living separate and apart from the spouse who was required to make the payment;";

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

"(*b*.2) an amount received under a decree, order or judgment of a competent tribunal as a reimbursement of an amount that was deducted under any of paragraphs *a* to *b* of subsection 1 of section 336 in computing the income of the taxpayer for the year or a preceding taxation year or that could have been deducted under any of those paragraphs in computing the income of the taxpayer for a preceding taxation year but for section 334.1, as it read for that preceding year;";

(3) by replacing, in the English text, subparagraph i of paragraph *c* by the following subparagraph:

"i. an amount otherwise required to be included in computing the taxpayer's income for the year,";

(4) by replacing, in the English text, paragraph *h* by the following paragraph:

"(*h*) the amount by which any grant received by the taxpayer to carry on research or any similar work exceeds the total of expenses incurred by the taxpayer for that purpose in the year, in the preceding year but after obtaining confirmation that the grant would be awarded to the taxpayer, and in the year following the year in which the grant is received, to the extent that those expenses did not reduce an amount received as a grant for another year, other than

i. personal or living expenses incurred by the taxpayer while away from home in the course of carrying on the work except travel expenses, which include the amounts expended for meals and lodging,

ii. expenses in respect of which the taxpayer is reimbursed, or

iii. expenses that are otherwise deductible in computing the taxpayer's income for the year."

(2) Paragraph 2 of subsection 1 applies from the taxation year 1997.

54. (1) Section 334.1 of the said Act, enacted by section 36 of chapter 1 of the statutes of 1995, is repealed.

(2) Subsection 1 applies from the taxation year 1997.

55. (1) Section 335 of the said Act, amended by section 37 of chapter 1 of the statutes of 1995, is again amended

(1) by striking out, in the portion before paragraph *a*, "III,";

(2) by striking out, in paragraph *a*, "paragraph *a* of section 337 and".

(2) Subsection 1 applies from the taxation year 1997.

56. (1) Section 336 of the said Act, amended by section 38 of chapter 1 of the statutes of 1995, by section 91 of chapter 18 of the statutes of 1995, by section 79 of chapter 49 of the statutes of 1995, by section 36 of chapter 63 of the statutes of 1995, by section 63 of chapter 14 of the statutes of 1997 and by section 45 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing paragraph *b*.0.1 of subsection 1 by the following paragraph:

"(*b*.0.1) the amount by which an amount paid by an individual in the year or one of the two preceding taxation years under a decree, order or judgment of a competent tribunal, as a repayment of an amount that was included under any of paragraphs *a* to *b*.1 of section 312 in computing the individual's income for the year or a preceding taxation year, or that should have been included under any of those paragraphs in computing the individual's income for a preceding taxation year if the individual had not elected under section 309.1, as it read for that year, to the extent that the amount was not deducted in computing the individual's income for a preceding taxation year, exceeds the portion of that amount in respect of which section 334.1 applied for a preceding taxation year, as that section read for that preceding year;";

(2) by replacing paragraph *d* of subsection 1 by the following paragraph:

"(*d*) an overpayment of any amount described in any of paragraphs *a*, *e* and *e*.1 of section 311 or section 311.1, of any pension under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9), of any benefit under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, or of any benefit under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), received by an individual and included in computing the individual's income for the year or a preceding taxation year, to the extent of the amount repaid by the individual in the year otherwise than by virtue of Part VII of the Employment Insurance Act;";

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

"(*d*.2) an amount reimbursed by the taxpayer in the year pursuant to section 35 of the Act respecting income security (chapter S-3.1.1) or a similar provision of an Act of a province, to the extent that the amount has been included in computing the taxpayer's income under section 311.1 for the year or a preceding taxation year;";

(4) by striking out, in subsection 2.2, "(chapter S-3.1.1)".

(2) Paragraph 1 of subsection 1 applies from the taxation year 1997.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 1998.

57. (1) Chapter III of Title VI of Book III of Part I of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1997.

58. Section 350 of the said Act is amended, in the English text, by replacing paragraphs *a* to *f* by the following paragraphs:

"(*a*) travel costs, including a reasonable amount for meals and lodging, in the course of moving the individual and members of the individual's household;

"(*b*) the cost to the individual of transporting or storing household effects in the course of moving;

"(*c*) the cost of meals and lodging near the individual's old residence or new residence for the individual and members of the individual's household for a period not exceeding 15 days;

"(*d*) the cost to the individual of cancelling the lease of the individual's old residence;

"(*e*) the selling costs of the individual's old residence; and

"(*f*) where the old residence is sold by the individual or the individual's spouse as a result of the move, the legal expenses incurred for the acquisition of the individual's new residence that are required for that acquisition and any taxes imposed on the transfer or registration of rights arising out of the acquisition of the new residence."

59. (1) Section 421.2 of the said Act, amended by section 41 of chapter 1 of the statutes of 1995, by section 236 of chapter 49 of the statutes of 1995, by section 124 of chapter 39 of the statutes of 1996 and by section 74 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing the portion of subparagraph *f* of the first paragraph before subparagraph i by the following:

"(*f*) is an amount that is the cost of a subscription to cultural events if the subscription includes participation in at least three such events which must be held in Québec and be";

(2) by inserting, after subparagraph ii of subparagraph *f* of the first paragraph, the following subparagraph:

"ii.1. vocal performances, other than such performances held in venues normally used for sports events;";

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

"(*g*) is an amount that is the cost of all or substantially all the tickets for a performance in an event referred to in any of subparagraphs i to iv of subparagraph *f*.";

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

"For the purposes of subparagraphs *f* and *g* of the first paragraph, the cost of a subscription or ticket, as the case may be, does not include an amount paid or payable in respect of meals or beverages consumed by a person."

(2) Subsection 1 applies to purchases of tickets made after 25 March 1997.

60. (1) Section 442 of the said Act is replaced by the following section:

"**442.** Sections 440 and 441.1 do not apply to any property of a deceased individual in respect of which the individual's legal representative makes a valid election under subsection 6.2 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election referred to in the first paragraph is extended or a previous such election is revoked, the legal representative of the individual

(*a*) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the legal representative to the Minister of National Revenue; and

(*b*) is liable to a penalty equal to $100 for each complete month from the individual's filing-due date for the year of the individual's death and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to $5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the election or the revoked election referred to in the second paragraph."

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

61. (1) Section 444 of the said Act, amended by section 127 of chapter 49 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended

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

"Notwithstanding the foregoing, where the legal representative of the individual referred to in the first paragraph makes a valid election under subsection 9 or 9.2 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of property referred to in the first paragraph, the following rules apply:";

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

"(*b*) the individual is deemed to have, immediately before the individual's death, disposed of the property and received proceeds of disposition therefor equal to

i. subject to the third paragraph and unless otherwise indicated by the individual's legal representative, such amount established in accordance with section 450.5 as is designated in respect of the property by the individual's legal representative in the individual's fiscal return filed in accordance with section 1000 for the year in which the individual died, where the individual, immediately before the death, and the child, at the end of the individual's taxation year in which the death occurred, were resident in Québec and where the proportion determined under the second paragraph of section 22, in respect of each of those two latter persons to whom that second paragraph applies for the year in which the individual died, was not less than 9/10 for that year, or

ii. such amount as is determined in respect of the property under subsection 9 or 9.2, as the case may be, where subparagraph i does not apply in respect of the property;";

(3) by adding, after subparagraph *b* of the second paragraph, the following:

"(*c*) the child is deemed to have acquired the property at the time of the death at a cost equal to the proceeds of the disposition established in the child's respect under subparagraph *b*.

"However, subparagraph i of subparagraph *b* of the second paragraph does not apply in respect of the property, where the amount that would, but for that subparagraph i, be referred to in respect of the property in subparagraph ii of that subparagraph *b* exceeds the amount designated in its respect in that subparagraph i, unless all or substantially all of the difference is justified by an amount by which the cost amount of the property to the individual, immediately before the individual's death, for the purposes of Part I of the Income Tax Act exceeds the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

"On application by the legal representative of the deceased individual, the Minister may allow subparagraph i of subparagraph *b* of the second paragraph to be deemed not to have applied in respect of the property, or may allow the legal representative, after the individual's filing-due date for the year in which the individual died, to designate pursuant to that subparagraph i an amount or a new amount in respect of the property; in the latter case, the new amount designated is deemed to be the only amount designated by the legal representative under that subparagraph in respect of the property.

"Where an application made under the fourth paragraph is granted by the Minister, the legal representative of the deceased individual is liable to a penalty equal to $100 for each complete month from the individual's filing-due date for the year in which the individual died and ending on the day on which the application referred to in that paragraph is sent to the Minister; in such case, this paragraph is deemed not to apply in respect of any other such application made previously by the legal representative in respect of the transfer or distribution of the property.

"Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election under subsection 9 or 9.2, as the case may be, of section 70 of that Act is extended or such an election made previously is amended or revoked, the legal representative of the deceased individual

(*a*) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the legal representative to the Minister of National Revenue; and

(*b*) is liable to a penalty equal to $100 for each complete month from the individual's filing-due date for the year of the individual's death and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister.

"However, the total amount of the penalties to which the legal representative of the deceased individual is liable under this section in respect of the property may not exceed the greater of the penalties to which the legal representative would otherwise be liable in respect of the property, under the fifth paragraph or subparagraph *b* of the sixth paragraph nor $5,000.

"Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the granting by the Minister of an application made under the fourth paragraph, or the election or the amended or revoked election referred to in the sixth paragraph."

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

62. (1) Section 445 of the said Act is amended by replacing paragraph *b* by the following paragraph:

"(*b*) where the legal representative makes a valid election under paragraph *b* of subsection 7 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and lists, in the individual's fiscal return referred to for that purpose in that paragraph, one or more properties, other than a net income stabilization account, that were, on or after the individual's death and as a consequence thereof, transferred or distributed to the trust, the fair market value of which properties immediately after the individual's death was not less than the debts of the individual, minus the amounts described in section 449, section 440 does not apply to the properties so listed and, notwithstanding the payment of, or provision for payment of, any outstanding debts of the individual at the time of the death, the trust is deemed to be a trust referred to in section 440."

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

63. (1) Section 446 of the said Act is amended by replacing the portion before paragraph *a* by the following:

"**446.** Where the fair market value, immediately after the individual's death, of the properties referred to in paragraph *b* of section 445 exceeds the debts of the individual, minus the amounts described in section 449, and the legal representative designates one property, in the return referred to in that paragraph *b*, that is capital property other than depreciable property or money,".

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

64. (1) Section 450 of the said Act, amended by section 128 of chapter 49 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended

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

"However, if the trust referred to in the first paragraph makes a valid election under subsection 9.1 or 9.3 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of property referred to in the first paragraph, the following rules apply:";

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

"(*b*) the trust is deemed to have, immediately before the spouse's death, disposed of the property and received proceeds of disposition therefor equal to

i. subject to the third paragraph and unless otherwise indicated by the trust, such amount established in accordance with section 450.5 as is designated in respect of the property by the trust in its fiscal return filed in accordance with section 1000 for the year in which the spouse died, where the trust and the child, at the end of the trust's taxation year in which the death occurred, were resident in Québec and where the proportion determined under the second paragraph of section 22, in respect of each of those two latter persons to whom that second paragraph applies for the year in which the spouse died, was not less than 9/10 for that year, or

ii. such amount as is determined in respect of the property under subsection 9.1 or 9.3, as the case may be, where subparagraph i does not apply in respect of the property,";

(3) by adding, after subparagraph *b* of the second paragraph, the following:

"(*c*) the child is deemed to have acquired the property at the time of the death at a cost equal to the proceeds of the disposition established in the child's respect under subparagraph *b*.

"However, subparagraph i of subparagraph *b* of the second paragraph does not apply in respect of the property, where the amount that would, but for that subparagraph i, be referred to in respect of the property in subparagraph ii of that subparagraph *b* exceeds the amount designated in its respect in that subparagraph i, unless all or substantially all of the difference is justified by an amount by which the cost amount of the property to the trust, immediately before the spouse's death, for the purposes of Part I of the Income Tax Act exceeds the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

"On application by the trust, the Minister may allow subparagraph i of subparagraph *b* of the second paragraph to be deemed not to have applied in respect of the property, or may allow the trust, after the trust's filing-due date for the year in which the spouse died, to designate pursuant to that subparagraph i an amount or a new amount in respect of the property; in the latter case, the new amount designated is deemed to be the only amount designated by the trust under that subparagraph in respect of the property.

"Where an application made under the fourth paragraph is granted by the Minister, the trust is liable to a penalty equal to $100 for each complete month from the trust's filing-due date for the year in which the spouse died and ending on the day on which the application referred to in that paragraph is sent to the Minister; in such case, this paragraph is deemed not to apply in respect of any other such application made previously by the trust in respect of the transfer or distribution of the property.

"Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election under subsection 9.1 or 9.3, as the case may be, of section 70 of that Act is extended or such an election made previously is amended or revoked, the trust

(*a*) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the trust to the Minister of National Revenue; and

(*b*) is liable to a penalty equal to $100 for each complete month from the trust's filing-due date for the year in which the spouse died and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister.

"However, the total amount of the penalties to which the trust is liable under this section in respect of the property may not exceed the greater of the penalties to which the trust would otherwise be liable in respect of the property, under the fifth paragraph or subparagraph *b* of the sixth paragraph nor $5,000.

"Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the granting by the Minister of an application made under the fourth paragraph, or the election or the amended or revoked election referred to in the sixth paragraph."

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

65. (1) Section 450.5 of the said Act, amended by section 129 of chapter 49 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended

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

"**450.5.** For the purposes of subparagraph i of subparagraph *b* of the second paragraph of sections 444 and 450, the amount designated in respect of *property by the legal representative of the individual* referred to in section 444 or by the trust referred to in section 450, as the case may be, shall not be less than the lesser of nor greater than the greater of the following amounts:";

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

"If the amount designated in respect of property is less than the lesser of the amounts determined in respect thereof under subparagraphs *a* and *b* of the first paragraph, it is deemed, for the purposes of subparagraph i of subparagraph *b* of the second paragraph of sections 444 and 450, to be equal to the lesser of those amounts, and if it is greater than the greater of those amounts, it is deemed, for the purposes of that subparagraph i, to be equal to the greater of the amounts determined under those subparagraphs *a* and *b* of the first paragraph in respect of the property."

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

66. (1) Section 450.6 of the said Act is replaced by the following section:

"**450.6.** Where any property has been acquired by an individual in circumstances where any of sections 444, 450 or 459 applied, where as a consequence of the death of the individual occurring after 31 December 1983 the property has been transferred or distributed to the father or mother of the individual, and where the individual's legal representative makes a valid election under paragraph *c* of subsection 9.6 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the property, section 444 applies to the transfer or distribution as if the words "to a child" and "in the child" were replaced respectively by the words "to the father or mother" and "in the father or mother", and the words "the child" were replaced by the words "the father or mother"."

(2) Subsection 1 applies in respect of transfers or distributions made after 25 March 1997.

67. (1) Section 454 of the said Act is amended by replacing the third paragraph by the following paragraph:

"This section does not apply to such a transfer where the taxpayer makes a valid election under subsection 1 of section 73 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have the provisions of that subsection not apply to the transfer."

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

68. (1) The said Act is amended by inserting, after section 455, the following section:

"**455.0.1.** Where, in respect of the property referred to in section 454 and by virtue of subsection 3.2 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the time for making the election referred to in the third paragraph of section 454 is extended or such an election made previously is revoked, the taxpayer

(*a*) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the taxpayer to the Minister of National Revenue; and

(*b*) is liable to a penalty equal to $100 for each complete month from the taxpayer's filing-due date for the year in which the transfer is made and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to $5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the election or the revoked election referred to in the first paragraph."

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

69. (1) Section 462.0.1 of the said Act, amended by section 236 of chapter 49 of the statutes of 1995, by section 129 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in paragraph *b*, the words "an election is made under section 518" by the words "section 518 applies".

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

70. (1) Section 462.15 of the said Act is amended by replacing paragraph *c* by the following paragraph:

"(*c*) where the property was transferred to or for the benefit of the transferor's spouse, the third paragraph of section 454 applies to the transfer."

(2) Subsection 1 applies in respect of transfers of property made after 25 March 1997.

71. (1) Section 485.51 of the said Act, enacted by section 142 of chapter 39 of the statutes of 1996 and amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph:

"The provisions of Book IX apply, with the necessary modifications, to the assessment made under the first paragraph as if the assessment had been made under Title II of that Book."

(2) Subsection 1 applies from 1 January 1998.

72. Section 487.5.3 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced, in the French text, by the following section:

"**487.5.3.** Pour l'application des articles 487.1 à 487.6, l'expression «prêt consenti pour l'acquisition d'une résidence» signifie la partie d'une dette contractée par un particulier dans les circonstances décrites aux articles 487.1 et 487.2 qui est utilisée soit pour acquérir une habitation ou une part du capital social d'une coopérative d'habitation acquise dans le seul but d'acquérir le droit d'habiter une habitation dont la coopérative est propriétaire, lorsque l'habitation sert à loger l'une des personnes visées à l'article 487.5.4, soit pour rembourser une dette contractée pour acquérir une telle habitation ou une telle part, soit pour rembourser un prêt consenti pour l'acquisition d'une résidence."

73. (1) Section 518 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997 and replaced by section 54 of chapter 31 of the statutes of 1997, is again replaced by the following section:

"**518.** The rules provided for in this division and in Divisions II and III apply where a taxpayer disposes of property owned by the taxpayer which is eligible property to a taxable Canadian corporation for consideration that includes a share of the capital stock of the corporation, if the taxpayer and the corporation make a valid election for the purposes of subsection 1 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

74. (1) Sections 518.2 to 520 of the said Act are repealed.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

75. (1) The said Act is amended by inserting, after section 520, the following sections:

"**520.1.** Where section 518 applies in respect of the disposition of property, the prescribed form along with a copy of every document sent to the Minister of National Revenue in respect of the disposition, in connection with the election referred to in that section, shall be sent to the Minister.

The prescribed form shall also be sent to the Minister where an application is made to the Minister under the third paragraph of section 522 in respect of the disposition.

In addition, the taxpayer is liable, jointly with the corporation, to a penalty equal

(*a*) where a document referred to in the first paragraph is sent to the Minister after the date, referred to as the "particular date" in subparagraph i, that is the later of the earliest of the filing-due dates for the persons having made the election referred to in section 518 in respect of the disposition for the taxation year in which the disposition was made and the date of the last day of the two-month period following the end of the taxation year which, of the taxation years of those persons, ends the latest, to the lesser of

i. 0.25% of the amount by which the fair market value of the property at the time of the disposition exceeds the proceeds of disposition of the property, for each month or part of a month during the period beginning on the particular date and ending on the day on which the documents have all been sent to the Minister, and

ii. the product obtained by multiplying $100 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph i, or

(*b*) where an application made to the Minister in respect of a disposition under the third paragraph of section 522 is granted by the Minister, to the lesser of the amounts that would be determined in respect of the disposition under subparagraphs i and ii of subparagraph *a* if the reference in subparagraph i to "the documents have all been sent to the Minister" were a reference to "the prescribed form referred to in the second paragraph is sent to the Minister"; in such case, this subparagraph is deemed not to apply in respect of any other such application made previously in respect of the disposition.

However, the total amount of the penalties to which the taxpayer is liable, jointly with the corporation, under the third paragraph in respect of the disposition may not exceed the greater of the penalties to which the taxpayer would otherwise be liable, jointly with the corporation, in respect of the disposition under subparagraph *a* or subparagraph *b* of the third paragraph nor $5,000.

"**520.2.** Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to give effect to the rules provided for in this division and in Divisions II and III in respect of the disposition of property."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

76. (1) The said Act is amended by inserting, before section 522, the following section:

"**521.2.** Subject to section 522, where the taxpayer and the corporation make the election referred to in section 518 in respect of the disposition of property, the taxpayer's proceeds of disposition of the property and the cost to the corporation of the property are deemed to be equal to such amount as is established in respect of the property under subsection 1 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), except that, for the purposes of paragraphs *b* and *c* of section 528, the proceeds of disposition of the property are deemed to be equal to that amount established without reference to paragraph *e*.2 of subsection 1 of that section 85."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

77. (1) Section 522 of the said Act, amended by section 273 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**522.** Notwithstanding section 521.2 and subject to the fourth paragraph, where the taxpayer and the corporation make the election referred to in section 518 in respect of the disposition of property, where the conditions described in the second paragraph are met and where, in the prescribed form provided for in the first paragraph of section 520.1 or, if the application made

to the Minister under the third paragraph in respect of the disposition is granted by the Minister, in the second paragraph of section 520.1, the taxpayer and the corporation jointly agree on an amount in respect of the property, the amount so agreed on is deemed to be

(*a*) the taxpayer's proceeds of disposition of the property and the cost of the property to the corporation;

(*b*) subject to subparagraph *c*, equal to the fair market value, at the time of the disposition, of the consideration received by the taxpayer for the property if the amount agreed on is actually less than that fair market value and if the consideration is not a share of the capital stock of the corporation or a right to receive any such share; and

(*c*) equal to the fair market value of the property, at the time of the disposition, if the amount agreed on is actually greater than that fair market value.

The conditions referred to in the first paragraph require that, for the transferor and for the transferee,

(*a*) in the case of an individual, the individual must be resident in Québec at the end of the individual's taxation year in which the disposition is made and, if the second paragraph of section 22 applies to the individual for that year, the proportion applicable in respect of the individual in that second paragraph for that year must be not less than 9/10;

(*b*) in the case of a corporation, the proportion that the business carried on by the corporation in Québec is of the aggregate of the business carried on in Canada or Québec and elsewhere established by the regulations made under section 771 for its taxation year in which the disposition is made, must be not less than 9/10; and

(*c*) in the case of a partnership, the proportion that the business carried on in Québec is of the aggregate of the business carried on in Canada or Québec and elsewhere that would be established in its respect by the regulations made under section 771 for its taxation year in which the disposition is made if the partnership were a corporation and if its fiscal period were a taxation year, must be not less than 9/10.

In addition, the Minister may, on a joint application by the taxpayer and by the corporation, allow, for the purposes of the first paragraph in respect of the disposition, the taxpayer and the corporation

(*a*) where they have not done so in the prescribed form referred to in the first paragraph of section 520.1, to agree on an amount in respect of the property;

(*b*) to be deemed never to have agreed on an amount in respect of the property; or

(*c*) to agree on a new amount in respect of the property, which amount is deemed to be the only amount agreed on in respect of the property for the purposes of the first paragraph.

However, this section does not apply in respect of the disposition, where the amount that would, but for this section, be determined in respect of the property under section 521.2 exceeds the amount agreed on in its respect in the first paragraph, unless all or substantially all of the difference is justified by an amount by which the cost amount of the property to the taxpayer, immediately before the disposition, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) exceeds the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

78. (1) Section 523 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**523.** Where, in accordance with section 522, the taxpayer and the corporation have jointly agreed in the prescribed form on an amount in respect of property described in section 524, the amount is deemed, notwithstanding subparagraphs *b* and *c* of the first paragraph of section 522, but subject to the second paragraph, to be equal to the least of the amounts described in paragraph *a*, *b* or *c*, as the case may be, of section 524.

However, the amount shall in no case be less than the amount that is deemed to be the amount agreed on under subparagraph *b* of the first paragraph of section 522, subject to subparagraph *c* of that paragraph."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

79. (1) Section 524 of the said Act, amended by section 146 of chapter 39 of the statutes of 1996, is again amended by replacing, in the portion of paragraph *c* before subparagraph i, the words "in the election" by the words "in accordance with section 522 in the prescribed form".

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

80. (1) Section 524.0.1 of the said Act, amended by section 147 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the portion before the formula in the first paragraph by the following:

"**524.0.1.** Where intangible capital property in respect of a business of a taxpayer was disposed of by the taxpayer to a corporation and the election referred to in section 518 was made in respect of the property, for the purpose of determining, after the time of the disposition, the amount to be included under paragraph *b* of section 105 in computing the income of the corporation, the corporation shall add to the amount otherwise determined under subparagraph 2 of subparagraph i of paragraph *b* of section 107, the amount determined by the formula".

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

81. (1) Section 524.1 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended

(1) by replacing the portion before the formula in subparagraph *a* of the first paragraph by the following:

"**524.1.** Where the taxpayer referred to in section 518 carries on a farming business the income of which is computed in accordance with the cash method and the property disposed of as referred to in that section 518 was inventory owned by the taxpayer in connection with that business immediately before the time the property was disposed of to the corporation referred to in that section 518,

(*a*) subject to subparagraphs *b* and *c* of the first paragraph of section 522 and notwithstanding paragraph *c* of section 524, the amount agreed on, if any, in accordance with section 522 in the prescribed form, in respect of inventory purchased by the taxpayer is deemed to be equal to the amount determined by the formula";

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

"(*a*.1) the amount referred to in section 521.2 in respect of inventory purchased by the taxpayer is deemed, where it would otherwise be less than the particular amount that would be determined in respect of the property by the formula in subparagraph *a* if no account were taken of the letter D, to be equal to that particular amount;";

(3) by replacing, in the French text of subparagraph *b* of the first paragraph and in the portion of subparagraph *c* of the first paragraph before subparagraph i, the words "aux fins" by the words "pour l'application";

(4) by replacing, in the French text of the portion of the second paragraph before subparagraph *a*, the words "Aux fins de la formule visée" by the words "Dans la formule prévue".

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of dispositions made after 25 March 1997.

82. (1) Section 525 of the said Act is replaced by the following section:

"**525.** Where two or more properties, each of which is a property described in paragraph *a* or *b* of section 524, are disposed of at the same time, sections 523 and 524 apply as if each property so disposed of had been separately disposed of in the order designated by the taxpayer in the prescribed form or, if the taxpayer does not so designate any such order, in the order designated by the Minister."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

83. (1) Sections 525.1 and 526 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, are replaced by the following sections:

"**525.1.** Where property of a taxpayer in respect of the disposition of which section 518 applies is depreciable property of a prescribed class that is a passenger vehicle the cost to the taxpayer of which exceeds $20,000 or such other amount as may be prescribed for the purposes of paragraph *d*.3 of section 99, as the case may be, and the taxpayer and the corporation to which the property is disposed of do not deal with each other at arm's length, the amount referred to in section 521.2 in respect of the property or, where section 522 applies thereto, the amount agreed on in respect of the property in the prescribed form, is deemed to be equal to the undepreciated capital cost to the taxpayer of the class immediately before the disposition, minus, where applicable, the amount deducted by the taxpayer under paragraph *a* of section 130 in respect of the passenger vehicle in computing the taxpayer's income for the taxation year in which the passenger vehicle was disposed of by the taxpayer.

However, for the purposes of section 41.0.1, the cost to the corporation of the passenger vehicle is deemed to be an amount equal to its fair market value immediately before the disposition.

"**526.** Where section 522 applies in respect of the disposition of property by a taxpayer, where the fair market value of the property, immediately before the time of the disposition, exceeds the greater of the fair market value, immediately after that time, of the consideration received by the taxpayer and the amount otherwise agreed on in the prescribed form in respect of the property, and where it is reasonable to regard any part of the excess as a benefit that the taxpayer desired to have conferred on a person related to the taxpayer, other than a corporation that is a wholly-owned corporation of the taxpayer immediately after the disposition, the amount agreed on in the prescribed form in respect of the property is deemed, except for the purposes of paragraphs *b* and *c* of section 528, to be an amount equal to the amount otherwise agreed on in the prescribed form in respect of the property to which that part of the excess is added."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

84. (1) Section 529 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**529.** Where a partnership disposes of any property to a taxable Canadian corporation for consideration that includes a share of the capital stock of the corporation, and all the members of the partnership and the corporation make a valid election for the purposes of subsection 2 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition, the provisions of Divisions I to III apply, with the necessary modifications, in respect of the disposition as if the partnership were a taxpayer resident in Canada that had disposed of the property to the corporation.

In addition, for the purposes of the third paragraph of section 520.1 in respect of the disposition, subparagraph *a* of that paragraph shall be read as if the reference, in the portion before subparagraph i, to "the taxation year which, of the taxation years of those persons, ends the latest" were a reference to "that taxation year of the corporation or the fiscal period of the partnership in which the disposition was made, whichever year or period in the latter case ends later"."

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

85. The said Act is amended by inserting, after section 529, the following:

"**DIVISION IV.1**

"CERTAIN TRANSFERS MADE BEFORE 26 MARCH 1997

"**529.1.** Except for the purposes of this section, where property is disposed of to a corporation before 26 March 1997 by a taxpayer or a partnership, in subparagraph *b* referred to as the "transferor", Divisions I to III, or I to IV, as the case may be, as they read in respect of property disposed of on 26 March 1997 and not as they read in respect of the disposition, apply in respect of the disposition where

(*a*) the disposition is made after 18 December 1996, or is part of a series of transactions or events that began before 19 December 1996 and ended after 18 December 1996; and

(*b*) it may reasonably be considered that all or substantially all of an excess amount is attributable to the difference between the cost amount of the property to the transferor, immediately before the disposition, for the purposes of this Part and the cost amount of the property to the transferor, at that time, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), where that excess amount is

i. the amount by which the transferor's income for the taxation year in which the disposition is made is reduced by reason of the application of Divisions I to III, or I to IV, as the case may be, in respect of the disposition, exceeds the amount, if any, by which the transferor's income for that year, established for the purposes of Part I of the Income Tax Act, is reduced by reason of the application of section 85 of that Act in respect of the disposition, or

ii. the amount by which the cost amount of the property to the corporation, immediately after the disposition, for the purposes of this Part, exceeds the cost amount of the property to the corporation established at that time for the purposes of Part I of the Income Tax Act.

However, the first paragraph does not apply where the disposition is of property in respect of which section 522, as it reads in respect of property disposed of on 26 March 1997, would apply if

(*a*) the disposition had been made on 26 March 1997;

(*b*) where the election referred to in section 518 or in the first paragraph of section 529, as the case may be, as that section 518 or that paragraph reads in respect of property disposed of on 26 March 1997, was not made in respect of the disposition, the election had been made for an amount agreed on equal to the fair market value of the property at the time of the disposition; and

(*c*) an amount had been agreed on in respect of the property in the prescribed form for the purposes of that section 522, and was equal to the amount agreed on in its respect in the election made under section 518 or the first paragraph of section 529, as the case may be, as that section 518 or that paragraph reads in respect of the disposition, or to the fair market value of the property at the time of the disposition if no election were made.

"DIVISION IV.2

"WINDING-UP OF THE BUSINESS OF THE CORPORATION WITHIN 60 DAYS".

86. (1) Section 555 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph:

"Notwithstanding the foregoing, the first paragraph does not apply where the taxpayer makes a valid election under subsection 8 of section 87 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have the rules provided for in that section not apply in respect of the exchange."

(2) Subsection 1 applies in respect of exchanges made after 25 March 1997.

87. (1) Section 603 of the said Act, amended by section 47 of chapter 1 of the statutes of 1995, replaced by section 165 of chapter 39 of the statutes of 1996 and amended by section 71 of chapter 3 of the statutes of 1997 and by section 57 of chapter 31 of the statutes of 1997, is again amended by replacing the portion before paragraph *a* by the following:

"**603.** Where a taxpayer who was a member of a partnership during a fiscal period has, for the purpose of computing the taxpayer's income from the partnership for the fiscal period, made or executed an agreement, a designation or an election under the regulations made under section 104, under any of sections 7.0.3, 7.0.5, 96, 110.1, 156, 180 to 182, 184, 199, 215, 216, 230, 279, 280.3, 299, 485.6, 485.9, 485.10, 485.11 and 485.42 to 485.52 or, because of subparagraph *a* of the second paragraph of section 614, under the first paragraph of section 522, that, but for this section, would be a valid agreement, designation or election, as the case may be, the following rules apply:".

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

88. (1) Sections 604 and 605 of the said Act are repealed.

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

89. (1) Section 614 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the portion of the second paragraph before subparagraph *b* by the following:

"Notwithstanding any other provision of this Part, other than sections 527.1 and 527.2, where a taxpayer disposes of capital property, a Canadian resource property, a foreign resource property, intangible capital property or property included in an inventory to a partnership that, immediately after the disposition, is a Canadian partnership of which the taxpayer is a member, and the taxpayer and all the other members of the partnership make a valid election for the purposes of subsection 2 of section 97 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition, the following rules apply:

(*a*) sections 520.1, 520.2 and 521.2 to 526 and paragraph *a* of section 528 apply in respect of the disposition as if the references therein to section 518 were references to this paragraph, and replacing therein

i. except in section 525.1, the words "and the corporation" and "and by the corporation" respectively by the words "and all the other members of the partnership" and "and by all the other members of the partnership",

ii. the words "a share of the capital stock of the corporation" and "a right to receive any such share" respectively by the words "an interest in the partnership" and "a right to receive any such interest",

iii. the words "shareholder of the corporation" by the words "member of the partnership",

iv. except in the second paragraph of section 522 and in section 526, any other occurrence of the word "corporation" by the word "partnership", and

v. in the portion of subparagraph *a* of the third paragraph of section 520.1 before subparagraph i, the words "the taxation year which, of the taxation years of those persons, ends the latest" by the words "that taxation year of the taxpayer or the fiscal period of the partnership in which the disposition was made, whichever year or period in the latter case ends later";".

(2) Subsection 1 applies in respect of dispositions made after 25 March 1997.

90. The said Act is amended by inserting, after section 614, the following section:

"**614.1.** Except for the purposes of this section, where a property is disposed of to a partnership before 26 March 1997 by a taxpayer, the second paragraph of section 614 and Divisions I to III of Chapter IV of Title IX, as they read in respect of property disposed of on 26 March 1997 and not as they read in respect of the disposition, apply in respect of the disposition where

(*a*) the disposition is made after 18 December 1996, or is part of a series of transactions or events that began before 19 December 1996 and ended after 18 December 1996; and

(*b*) it may not reasonably be considered that all or substantially all of an excess amount is attributable to the difference between the cost amount of the property to the taxpayer, immediately before the disposition, for the purposes of this Part and the cost amount of the property to the taxpayer, at that time, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), where that excess amount is

i. the amount by which the taxpayer's income for the taxation year in which the disposition is made is reduced by reason of the application of the second paragraph of section 614 in respect of the disposition, exceeds the amount, if any, by which the taxpayer's income for that year, established for the purposes of Part I of the Income Tax Act, is reduced by reason of the application of subsection 2 of section 97 of that Act in respect of the disposition, or

ii. the amount by which the cost amount of the property to the partnership, immediately after the disposition, for the purposes of this Part, exceeds the cost amount of the property to the partnership established at that time for the purposes of Part I of the Income Tax Act.

However, the first paragraph does not apply where the disposition is of property in respect of which section 522, as it reads in respect of property disposed of on 26 March 1997, would apply if

(*a*) the disposition had been made on 26 March 1997;

(*b*) where the election referred to in the second paragraph of section 614, as that paragraph reads in respect of property disposed of on 26 March 1997, was not made in respect of the disposition, the election had been made for an amount agreed on equal to the fair market value of the property at the time of the disposition; and

(*c*) an amount had been agreed on in respect of the property in the prescribed form for the purposes of that section 522, and was equal to the amount agreed on in its respect in the election made under the second paragraph of section 614, as that paragraph reads in respect of the disposition, or to the fair market value of the property at the time of the disposition if no election were made."

91. (1) Section 620 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph:

"However, the rules referred to in the first paragraph apply only if each of those persons has in each such property, immediately after that time, an undivided interest equal, when expressed as a percentage, to the person's undivided interest, when so expressed, in each other property of the partnership, if all those persons make a valid election for the purposes of subsection 3 of section 98 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the property and if sections 530 to 533 and 626 to 631 do not apply."

(2) Subsection 1 applies in respect of dissolutions of partnerships occurring after 25 March 1997.

92. (1) The said Act is amended by inserting, after section 620, the following section:

"**620.1.** Where the rules provided for in this division apply in respect of the dissolution of a partnership, the prescribed form must be sent to the Minister.

In addition, where the form is sent to the Minister after the date that is the earliest of the filing-due dates for the persons referred to in section 620 in respect of the dissolution, for the taxation year in which the dissolution occurred, those persons are liable to a penalty equal to the lesser of

(*a*) 0.25%, for each month or part of a month during the period from the earliest date of those filing-due dates until the day on which the form is sent to the Minister, of the amount by which the aggregate of the amounts of money

and the fair market value of partnership property received by those persons as consideration for the disposition of their interests in the partnership at the time the partnership is dissolved, exceeds the aggregate of the proceeds of disposition determined in respect of each of those persons under section 621; and

(*b*) the lesser of $5,000 and the product obtained by multiplying $100 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph *a*.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to give effect to the rules provided for in this division in respect of the dissolution of partnerships."

(2) Subsection 1 applies in respect of dissolutions of partnerships occurring after 25 March 1997.

93. (1) Section 669.1 of the said Act is amended by replacing, wherever they appear, the words "subparagraph *a* of the first paragraph" by the words "subparagraph i of paragraph *a*".

(2) Subsection 1 applies from the taxation year 1998.

94. (1) Section 693 of the said Act, amended by section 48 of chapter 1 of the statutes of 1995, by section 49 of chapter 63 of the statutes of 1995 and by section 96 of chapter 14 of the statutes of 1997, is again amended by replacing the second paragraph by the following paragraph:

"However, the taxpayer shall apply the provisions of this Book in the following order: sections 694.0.1, 694.0.2 and 737.17, Titles V, VI.8, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, V.1.1, VI.3.2, VI.3.2.1, VI.3.2.2, VII, VI.5, VI.5.1 and VI.6 and sections 725.1.2, 737.14 to 737.16.1, 737.21, 737.22.0.3, 737.25 and 737.28."

(2) Subsection 1 applies from the taxation year 1997. However, where the second paragraph of section 693 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference therein to "694.0.2" were a reference to "737.8".

95. (1) The said Act is amended by inserting, after section 694, the following:

"TITLE I.0.1

"DEDUCTED AMOUNTS TO BE INCLUDED
IN COMPUTING INCOME

"**694.0.1.** An individual computing taxable income for a taxation year shall include the portion relating to one or more preceding taxation years of

the aggregate of all amounts deducted by the individual in computing income for the year under any of paragraphs *a* to *b*.0.1 of subsection 1 of section 336, where the total of that portion is at least $300.

"**694.0.2.** A taxpayer computing taxable income for a taxation year shall include any amount deducted by the taxpayer in computing income for the year under paragraph *d* or *d*.2 of subsection 1 of section 336 as reimbursement of a social assistance payment, to the extent that the social assistance payment has been deducted in computing the taxpayer's taxable income for the year or a preceding taxation year under paragraph *c* of section 725."

(2) Subsection 1, where it enacts section 694.0.1 of the said Act, applies from the taxation year 1997.

(3) Subsection 1, where it enacts section 694.0.2 of the said Act, applies from the taxation year 1998.

96. (1) Sections 710.1 and 710.2 of the said Act are replaced by the following sections:

"**710.1.** For the purposes of paragraph *b* of section 710, the fair market value of a property referred to therein that is a prescribed cultural property is deemed to be the fair market value determined by the Canadian Cultural Property Export Review Board or, where an appeal has been instituted under subsection 1 of section 33.1 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51), the fair market value deemed to have been determined by the Board, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 2 of the said section 33.1.

"**710.2.** For the purposes of paragraph *b*.1 of section 710, the fair market value of a cultural property referred to therein is deemed to be the fair market value determined by the Commission des biens culturels du Québec."

(2) Subsection 1, where it replaces section 710.1 of the said Act, has effect from 12 July 1996.

97. (1) The said Act is amended by inserting, after section 710.2, the following section:

"**710.3.** Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect

(*a*) to a certificate issued under section 7.14 of the Cultural Property Act (chapter B-4) or to a decision of a court resulting from an appeal under section 7.16 of that Act; or

(*b*) to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act."

(2) Subsection 1 has effect from 12 July 1996. However, where section 710.3 of the said Act, enacted by subsection 1, applies before (*insert the date of assent to this Act*), it shall be read as follows:

"**710.3.** Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act."

98. (1) Section 725 of the said Act, amended by section 158 of chapter 49 of the statutes of 1995 and by section 98 of chapter 14 of the statutes of 1997, is again amended

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

"(*b*.1) a pension, indemnity or compensation described in any of paragraphs *k*.2 to *k*.4 of section 311 or an indemnity described in paragraph *k*.5 of that section;";

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

"(*c*) a social assistance payment based on a means, needs or income test, other than a payment received under the Act respecting income security (chapter S-3.1.1) or a similar payment made under an Act of a province, and included in computing the individual's income by reason of section 311.1 or by reason of section 317 as a supplement or spouse's allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or any similar payment made under an Act of a province; or";

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

"(*e*) income situated on a reserve or on premises, if the individual is an Indian or a person of Indian ancestry."

(2) Paragraphs 1 and 3 of subsection 1 apply from the taxation year 1997.

(3) Paragraph 2 of subsection 1 applies in respect of social assistance payments received after 31 December 1997.

99. (1) The said Act is amended by inserting, after section 725, the following sections:

"**725.0.1.** For the purposes of this section, paragraph *e* of section 725 and section 725.0.2,

"Indian" means an Indian within the meaning of the Indian Act (Revised Statutes of Canada, 1985, chapter I-5);

"person of Indian ancestry" means an individual who usually resides on a reserve or who is employed therein, and whose mother or father is an Indian;

"premises" means a place in Québec used exclusively for purposes of negotiation between the Government and an agency representing Indians of Québec and so designated by the Government;

"reserve" means

(*a*) a reserve within the meaning of subsection 1 of section 2 of the Indian Act;

(*b*) Category IA land or Category IA-N land within the meaning of subsection 1 of section 2 of the Cree-Naskapi (of Québec) Act (Statutes of Canada, 1984, chapter 18);

(*c*) the Hunter's Point, Kitcisakik (Grand-Lac-Victoria), Pakuashipi and Winneway Indian settlements and an Indian settlement within the meaning of section 2 of the Indians and Bands on certain Indian Settlements Remission Order, as made by Order in Council P.C. 1992-1052 dated 14 May 1992, as amended by Order in Council P.C. 1994-2096 dated 14 December 1994, under the Financial Administration Act (Revised Statutes of Canada, 1985, chapter F-11); and

(*d*) Sechelt lands within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act (Statutes of Canada, 1986, chapter 27).

"**725.0.2.** For the purposes of paragraph *e* of section 725, the income of an Indian or a person of Indian ancestry from an office or employment that that Indian or person of Indian ancestry performs for an employer who both resides on a reserve and is described in the second paragraph is deemed to be an income situated on a reserve if the duties of that Indian or person of Indian ancestry related to that office or employment form part of the non-commercial activities of the employer that are intended solely for the greater welfare of the Indians living on the reserve.

The employer to which the first paragraph refers is

(*a*) a band, within the meaning of subsection 1 of section 2 of the Indian Act (Revised Statutes of Canada, 1985, chapter I-5), that owns a reserve;

(*b*) a council of the band, within the meaning of subsection 1 of section 2 of the Indian Act, representing one or more bands described in subparagraph *a*; or

(*c*) an Indian organization that falls within the jurisdiction of one or more bands described in subparagraph *a* or of one or more councils of the band described in subparagraph *b* and that is exclusively devoted to the social, cultural, educational or economical development of Indians the majority of whom live on a reserve.

Where the income of an Indian or a person of Indian ancestry from an office or employment is deemed, under the first paragraph, to be income situated on a reserve, any other amount received by that Indian or person of Indian ancestry and related to that office or employment is also, for the purposes of paragraph *e* of section 725, deemed to be situated on a reserve."

(2) Subsection 1 applies from the taxation year 1997.

100. (1) The said Act is amended by inserting, after section 725.1.1, the following:

"TITLE V.0.2

"DEDUCTION IN RESPECT OF A RETROACTIVE PAYMENT

"**725.1.2.** An individual, other than a trust, computing taxable income for a taxation year may deduct, where the individual so elects, the portion relating to one or more preceding taxation years of the aggregate of the amounts each of which is an amount described in the second paragraph that the individual includes in computing taxable income for the year, where the total of that portion is at least $300.

The amount to which the first paragraph refers is an amount received in the year as, or in lieu of, full or partial payment of

(*a*) income from an office or employment, under the terms of a court judgment, arbitration award or a contract by which the parties put an end to a lawsuit;

(*b*) a benefit under the Labour Adjustment Benefits Act (Revised Statutes of Canada, 1985, chapter L-1), under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) or under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act;

(*c*) an amount referred to in any of paragraphs *a* to *b*.2 of section 312;

(*d*) an amount paid in accordance with a distribution plan, approved on 4 December 1995 by a judgment of the Superior Court of Québec, in respect of the pension fund surplus of the Consolidated Retirement Plan for Employees of Singer Company of Canada Limited (Sewing Division), if the amount is paid to the individual as a member, within the meaning of section 965.0.1, of the pension fund or by reason of the death of the individual's spouse who was a member of the pension fund; or

(*e*) any other amount, other than income from an office or employment, that would be, in the opinion of the Minister, an additional undue tax burden on the individual were the individual to include it in computing income for the year in which it is received by the individual.

For the purposes of the first paragraph in respect of an amount described in subparagraph *d* of the second paragraph that an individual receives in a particular taxation year, the proportion of the amount that the number of preceding taxation years that are subsequent to the taxation year 1985 is of that number of taxation years, plus one, is deemed to relate to one or more taxation years preceding the particular year."

(2) Subsection 1 applies from the taxation year 1997. However, where subparagraph *a* of the second paragraph of section 725.1.2 of the said Act, enacted by subsection 1, applies in respect of an amount agreed on before 1 January 1996, it shall be read as follows:

"(*a*) income from an office or employment, under the terms of a court judgment, arbitration award or a contract by which the parties prevent a future contestation, put an end to a lawsuit or settle difficulties arising in the execution of a judgment, by way of mutual concessions or reservations;".

101. (1) Section 726.20.1 of the said Act, amended by section 62 of chapter 1 of the statutes of 1995, by section 191 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 290 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in paragraph *a* of the definition of "resource property", "31 December 1998" by "31 December 2000";

(2) by replacing, in subparagraph i of paragraph *c* of the definition of "resource property", the words "an election was made under section 518, 614 or 620" by the words "an election referred to in section 518, 614 or 620 was made".

(2) Paragraph 2 of subsection 1 applies in respect of transactions occurring after 25 March 1997.

102. Section 726.22 of the said Act is amended, in the English text, by replacing subparagraph *a* of the first paragraph by the following subparagraph:

"(*a*) the aggregate of all amounts each of which is the product obtained by applying the specified percentage for the year for the particular area in which the taxpayer resided to the amount received, or to the value of a benefit received or enjoyed, in the year by the taxpayer in respect of the taxpayer's employment in the particular area by a person with whom the taxpayer was dealing at arm's length in respect of travel expenses incurred by the taxpayer or another individual who was a member of the taxpayer's household during the part of the year in which the taxpayer resided in the particular area, to the extent that

i. the amount received or the value of the benefit, as the case may be, does not exceed a prescribed amount in respect of the taxpayer for the period of the year in which the taxpayer resided in the particular area, is included and is not otherwise deducted in computing the taxpayer's income for the year or any other taxation year, and is not included in determining an amount deducted under section 752.0.11 for the year or any other taxation year,

ii. the travel expenses were incurred in respect of trips made in the year by the taxpayer or another individual who was a member of the taxpayer's household during the part of the year in which the taxpayer resided in the particular area, and

iii. neither the taxpayer nor a member of the taxpayer's household is at any time entitled to a reimbursement or any form of assistance, other than a reimbursement or assistance included in computing the income of the taxpayer or the member, in respect of travel expenses to which subparagraph ii applies;".

103. Section 726.22.1 of the said Act is replaced, in the English text, by the following section:

"**726.22.1.** The aggregate of the amounts determined under subparagraph *a* of the first paragraph of section 726.22 for a taxpayer in respect of travel expenses incurred in a taxation year in respect of an individual shall not be in respect of more than two trips made by the individual in the year, other than trips to obtain medical services that are not available in the locality in which the taxpayer resided."

104. (1) Section 728.0.1 of the said Act is amended by inserting, in paragraph *a* and after "725.1.1,", "725.1.2,".

(2) Subsection 1 applies from the taxation year 1997.

105. (1) Section 737.18 of the said Act is amended

(1) by replacing, in paragraph *e*, "paragraph *a*, *b* or *c*" by "any of paragraphs *a* to *e*";

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

"(*e*.1) for the purposes of the deduction under section 725.1.2, the amount included by the individual in computing the individual's income for the year, which is an amount described in the second paragraph of section 725.1.2, shall not include the part of the amount included in the part referred to in the first paragraph of section 737.16 of the individual's income for the year;".

(2) Subsection 1 applies from the taxation year 1997.

106. (1) Section 737.22 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended

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

"(*c*) where the foreign researcher has included in computing income for the year an amount described in paragraph *a* or *e* of section 725 and that amount is included in the foreign researcher's eligible income for the year, the amount is, for the purposes of a deduction under paragraph *a* or *e* of section 725, deemed to be nil;";

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

"(*c*.1) where the foreign researcher has included in computing income for the year an amount described in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the foreign researcher's eligible income for the year, the amount is, for the purposes of a deduction under section 725.1.2, deemed to be nil;".

(2) Subsection 1 applies from the taxation year 1997.

107. (1) The said Act is amended by inserting, after section 737.22, the following:

"TITLE VII.3.1

"DEDUCTION IN RESPECT OF A FOREIGN INSTRUCTOR

"CHAPTER I

"DEFINITIONS

"737.22.0.1. In this Title,

"eligible employer" for a taxation year means a corporation that would be an exempt corporation within the meaning of sections 771.12 and 771.13 for that year if section 771.12 were read without reference to paragraphs *d* and *e*;

"eligible income" of a foreign instructor for a taxation year means the aggregate of all such amounts paid to the instructor as wages in the year by the instructor's eligible employer and that may reasonably be considered to be attributable to the instructor's instruction activity period;

"foreign instructor" means an individual who, at a particular time after 25 March 1997, assumes duties as an employee of an eligible employer pursuant to an employment contract entered into after 25 March 1997 with the eligible employer, with respect to whom the eligible employer obtained, not later than 30 days after the later of the date the employment contract was entered into and the date the instructor assumed the duties of instructor, a certificate issued by the Minister of Finance, that has not been revoked, and who

(*a*) is not resident in Canada immediately before entering into the employment contract or immediately before assuming duties as an employee of the eligible employer,

(*b*) from the particular time and without interruption, works almost exclusively as an employee of the eligible employer, and

(*c*) performs duties as an employee of the eligible employer that consist almost exclusively in providing instruction;

"instruction activity period" of a foreign instructor means the period beginning on the day when, for the first time after 25 March 1997, the foreign instructor assumes duties as an employee of an eligible employer and ending on the earlier of

(*a*) the day on which the instructor ceases to satisfy a condition set out in paragraph *b* or *c* of the definition of "foreign instructor", and

(*b*) the seven hundred and thirty-first day following the day the instructor assumed duties;

"wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

"**737.22.0.2.** For the purposes of this Title, any employment contract referred to in the definition of "foreign instructor" in section 737.22.0.1 that is renewed is deemed not to be a separate employment contract.

The same rule applies where a new employment contract is entered into with another eligible employer if the other eligible employer is one of the following persons, in which case that other eligible employer is deemed not to be other than the eligible employer who entered into the employment contract referred to in the definition of "foreign instructor" in section 737.22.0.1:

(*a*) a subsidiary controlled corporation of the eligible employer;

(*b*) a corporation that, following an operation referred to in section 518 or 566, continues to carry on the business of the eligible employer in respect of which the foreign instructor who entered into the employment contract was carrying on instruction activities;

(*c*) a corporation controlling the eligible employer.

"CHAPTER II

"DEDUCTION

"**737.22.0.3.** A foreign instructor may deduct, in computing taxable income for a taxation year, any amount not greater than the amount, if any, by which the instructor's eligible income for the year as attested in prescribed

manner by the instructor's eligible employer exceeds the aggregate of the amounts deductible by the instructor in computing income for the year under Chapter III of Title II of Book III and which may reasonably be considered to be attributable to the instructor's employment as a foreign instructor during the instruction activity period.

"CHAPTER III

"COMPUTATION OF TAXABLE INCOME

"**737.22.0.4.** For the purpose of computing the taxable income of a foreign researcher referred to in section 737.22.0.3 in a taxation year, the following rules apply:

(*a*) where the instructor has included in computing income for the year an amount representing the benefit the instructor is deemed to receive in the year under any of sections 49, 50, 51 and 52, in respect of the share or the transfer or other disposition of the rights under the agreement and the amount of the benefit is included in the instructor's eligible income for the year, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(*b*) where the instructor has included in computing income for the year an amount representing the benefit the instructor is deemed to receive under section 49 by virtue of section 49.2 in respect of a share acquired by the instructor after 22 May 1985 and the amount of the benefit is included in the instructor's eligible income for the year, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(*c*) where the instructor has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the instructor's eligible income for the year, the amount is, for the purpose of computing the deduction under that paragraph *a* or *e*, as the case may be, deemed to be nil;

(*d*) where the instructor has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the instructor's eligible income for the year, the amount is, for the purpose of computing the deduction under section 725.1.2, deemed to be nil;

(*e*) paragraph *a*, the portion of paragraph *b* before subparagraph i and paragraph *c* of section 725.6 shall be read as follows:

"(*a*) such part of the benefit that would be deemed to have been received by the individual under sections 487.1 to 487.6 in the year if those sections had applied only in respect of the home relocation loan as may reasonably be considered to be attributed to the part of the year that is not included in the individual's instruction activity period as defined in section 737.22.0.1;";

"(*b*) the amount of interest for that part of the year, not included in the individual's instruction activity period as defined in section 737.22.0.1, that would be computed at the prescribed rate referred to in section 487.2 in respect of the home relocation loan of the individual if that loan were in the amount of $25,000 and were extinguished on the earlier of";

"(*c*) such part of the amount of the benefit the individual is deemed to have received in the year under sections 487.1 to 487.6 in respect of the loan as may reasonably be considered as having been received in the part of the year not included in the individual's instruction activity period as defined in section 737.22.0.1.";

(*f*) where the instructor has included in computing income for the year an amount received by the instructor under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the instructor's eligible income for the year, the amount is, for the purpose of computing the deduction under section 725.9, deemed to be nil;

(*g*) where the instructor has included in computing income for the year an amount received, or the value of a benefit received or enjoyed by the instructor and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the instructor's eligible income for the year, the amount or value, as the case may be, is, for the purpose of computing the deduction under section 726.21, deemed to be nil; and

(*h*) subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22 shall be read as follows:

"(1) $7.50 multiplied by the number of days in the year included in the qualifying period in which the taxpayer resided in the particular area, except any day included in the taxpayer's instruction activity period as defined in section 737.22.0.1;";

"(2) $7.50 multiplied by the number of days in the year included in that portion of the qualifying period throughout which the taxpayer maintained and resided in a self-contained domestic establishment in the particular area, except any day included in the taxpayer's instruction activity period as defined in section 737.22.0.1 or included in computing an amount deducted under this subparagraph *b* by another person who resided on that day in that establishment.".

(2) Subsection 1 applies from the taxation year 1997.

108. (1) Section 749.1 of the said Act, replaced by section 70 of chapter 1 of the statutes of 1995 and by section 56 of chapter 63 of the statutes of 1995, is again replaced by the following section:

"**749.1.** In this Book, except for the purposes of sections 752.1 to 752.5, other than subparagraph *b* of the first paragraph of section 752.2, and sections 772.2 to 772.13, tax, whether referred to as tax payable under this Part or tax otherwise payable under this Part or called by any other similar expression, shall be computed as if this Part were read without reference to Book V.1."

(2) Subsection 1 applies from the taxation year 1998.

109. (1) Section 750 of the said Act is replaced by the following section:

"**750.** The tax payable under this Part by an individual on the individual's taxable income for a taxation year is, as the case may be,

(*a*) where the individual's taxable income for that year does not exceed $25,000, 20% of the individual's taxable income;

(*b*) where the individual's taxable income for that year exceeds $25,000 but does not exceed $50,000, $5,000 plus 23% of the amount by which the individual's taxable income exceeds $25,000; and

(*c*) where the individual's taxable income for that year exceeds $50,000, $10,750 plus 26% of the amount by which the individual's taxable income exceeds $50,000."

(2) Subsection 1 applies from the taxation year 1998.

110. (1) Section 752.0.1 of the said Act, amended by section 71 of chapter 1 of the statutes of 1995, by section 109 of chapter 14 of the statutes of 1997 and by section 77 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, wherever it appears in the portion before paragraph *a*, "20%" by "23%";

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

"(*a*) $5,900 for a person who, at any time in the year, is the individual's spouse if, at that time, the individual supports that person and is not living separate and apart from that person because of a breakdown of their marriage;";

(3) by striking out, in paragraph *d*, "subparagraph i or iv of paragraph *a* of" and by replacing "337 or in paragraph *b* or *c* of the said section" by "752.0.18.10";

(4) by striking out paragraphs *h* and *j*.

(2) Paragraphs 1 and 4 of subsection 1 apply from the taxation year 1998.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 1997.

111. (1) Section 752.0.2 of the said Act, amended by section 72 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**752.0.2.** The aggregate of the amounts to which the individual is entitled under paragraphs *a* to *g* of section 752.0.1 in respect of one person for a taxation year must be reduced,

(*a*) where the person is the individual's spouse, by the amount by which

i. the amount of the spouse's income as determined in respect of the spouse for the year under this Part or, where the spouse was not resident in Canada throughout the year, the amount of income that would be determined in respect of the spouse, for the year, under this Part, but for Book V.2.1 and if the spouse had been resident in Québec and Canada throughout the year or, where the spouse died in the year, throughout the period of the year preceding the time of the spouse's death, exceeds

ii. the aggregate of amounts deductible in computing the spouse's taxable income for the year under any of paragraphs *b*, *b*.1, *c* and *e* of section 725 or, if the spouse is not resident in Québec on 31 December of the year or in Canada throughout that year, the aggregate of the amounts that would be deductible in computing the spouse's taxable income for the year if the spouse had been resident in Québec on 31 December of the year and in Canada throughout that year, and

(*b*) in other cases, by the amount of that person's income as determined in respect of that person for the year under this Part or, if the person was not resident in Canada throughout the year, the amount of income that would be determined in respect of that person, for the year, under this Part, but for Book V.2.1 and if that person had been resident in Québec and Canada throughout the year or, where that person died in the year, throughout the period of the year preceding the time of the person's death.

However, where an individual is living separate and apart from the individual's spouse at the end of a taxation year because of the breakdown of their marriage, the excess amount referred to in subparagraph *a* of the first paragraph shall be determined for the year on the basis of the period in which they were married and were not so living separate and apart."

(2) Subsection 1 applies from the taxation year 1998.

112. (1) Section 752.0.3 of the said Act is amended by replacing, in the second paragraph, "iv" by "ii" and "337" by "752.0.18.10".

(2) Subsection 1 applies from the taxation year 1997.

113. (1) The heading of Chapter I.0.2 of Title I of Book V of Part I of the said Act is replaced by the following heading:

"TAX CREDIT FOR PERSONS LIVING ALONE, WITH RESPECT TO AGE AND FOR RETIREMENT INCOME".

(2) Subsection 1 applies from the taxation year 1998.

114. (1) The said Act is amended by inserting, after the heading of Chapter I.0.2 of Title I of Book V of Part I, the following sections:

"**752.0.7.1.** In this chapter,

"eligible spouse" of an individual for a taxation year means the person who is the individual's spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual;

"family income" of an individual for a taxation year means the amount by which $26,000 is exceeded by the aggregate of

(*a*) the income of the individual for the year; and

(*b*) the income, for the year, of the individual's eligible spouse for the year.

"**752.0.7.2.** For the purposes of the definition of "eligible spouse" in section 752.0.7.1, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.

"**752.0.7.3.** For the purposes of the definition of "family income" in section 752.0.7.1, where an individual was resident in Canada for only part of a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part but for Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.

"**752.0.7.4.** An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to 23% of the amount by which the aggregate of the following amounts exceeds 15% of the individual's family income for the year:

(*a*) in respect of the individual,

i. $1,050, if the following conditions are complied with:

(1) where the rules in Book V.2.1 do not apply to the individual for the year, the individual is not entitled to the deduction under paragraph *a* of section 752.0.1 and, where the rules in Book V.2.1 apply to the individual for the year, the individual would not be entitled to the deduction under paragraph *a* of section 752.0.1 but for that Book,

(2) the individual ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by the individual and in which no person other than the individual or a person described in paragraph *b* of section 752.0.1 lives during the year, and

(3) the individual files with the Minister, for the year, in respect of the self-contained domestic establishment, a prescribed document or, if the individual is unable to file such a document, the prescribed form, on or before the individual's filing-due date for the year;

ii. where the individual has attained the age of 65 years before the end of the year, $2,200 plus the lesser of $1,000 and the amount referred to in section 752.0.8 in respect of the individual for the year;

iii. where the individual has not attained the age of 65 years before the end of the year, the lesser of $1,000 and the amount referred to in section 752.0.9 in respect of the individual for the year;

(*b*) in respect of the individual's eligible spouse for the year,

i. $1,050, if the following conditions are complied with:

(1) where the rules in Book V.2.1 do not apply for the year to the eligible spouse, the eligible spouse is not entitled to the deduction under paragraph *a* of section 752.0.1 and, where the rules in Book V.2.1 apply for the year to the eligible spouse, the eligible spouse would not be entitled to the deduction under paragraph *a* of section 752.0.1 but for that Book,

(2) the eligible spouse ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by the eligible spouse and in which no person, other than the eligible spouse or a person described in paragraph *b* of section 752.0.1, lives during the year, and

(3) the individual files with the Minister, for the year, in respect of the self-contained domestic establishment, a prescribed document or, if the individual is unable to file such a document, the prescribed form, on or before the individual's filing-due date for the year, except where the document or the form is otherwise filed with the Minister for the year by the eligible spouse;

ii. where the eligible spouse has attained the age of 65 years before the end of the year, $2,200 plus the lesser of $1,000 and the amount referred to in section 752.0.8 in respect of the eligible spouse for the year;

iii. where the eligible spouse has not attained the age of 65 years before the end of the year, the lesser of $1,000 and the amount referred to in section 752.0.9 in respect of the eligible spouse for the year.

"**752.0.7.5.** Where, for a taxation year, a particular individual to whom section 752.0.7.4 applies has an eligible spouse for the year who is also an individual to whom that section applies,

(*a*) the amount deductible by the particular individual for the year under that section 752.0.7.4, determined without reference to this section, shall be reduced by such portion of the amount as is designated in respect of the particular individual by the particular individual and the eligible spouse in prescribed form filed by the particular individual with the individual's fiscal return under this Part for the year;

(*b*) the amount deductible by the eligible spouse for the year under section 752.0.7.4, determined without reference to this section, shall be reduced by the amount determined for the year under paragraph *a* in respect of the particular individual;

(*c*) where the particular individual and the eligible spouse cannot agree on the portion of the amount that may be designated for the year in accordance with paragraph *a* in respect of the particular individual, the Minister may designate such portion and, for the purposes of paragraph *a*, the designation is deemed to have been made in prescribed form by the particular individual and the eligible spouse; and

(*d*) the amount determined for the year under paragraph *a* in respect of the particular individual and the amount determined for the year under paragraph *b* in respect of the eligible spouse are deemed to be the amount deductible by the particular individual for the year under that section 752.0.7.4 and the amount so deductible by the eligible spouse for the year, respectively.

"**752.0.7.6.** An individual who has an eligible spouse for a taxation year is entitled to the deduction under section 752.0.7.4 for the taxation year only if the individual files with the Minister, together with the individual's fiscal return under this Part for the year, a certificate from the spouse in prescribed form."

(2) Subsection 1 applies from the taxation year 1998.

115. (1) Section 752.0.8 of the said Act, amended by section 110 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**752.0.8.** The amount to which subparagraph ii of paragraph *a* of section 752.0.7.4 refers for a taxation year in respect of an individual or, as the case may be, the amount to which subparagraph ii of paragraph *b* of that section refers for a taxation year in respect of an individual's eligible spouse for the year is equal to the aggregate of the following amounts:

(*a*) the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year that is

i. a payment in respect of a life annuity out of or under a pension plan,

ii. an annuity payment under a registered retirement savings plan or under a new plan as referred to in section 914 or under an annuity in respect of which an amount is included in computing the individual's or, as the case may be, the eligible spouse's income by reason of paragraph *c*.2 of section 312,

iii. a payment out of or under a registered retirement income fund or under an amended fund as referred to in section 961.9,

iv. an annuity payment under a deferred profit sharing plan or under a plan the registration of which is revoked by virtue of subsection 14 or 14.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement),

v. a payment described in subparagraph v of paragraph *k* of subsection 2 of section 147 of the Income Tax Act, or

vi. the amount by which an annuity payment included in computing the individual's or, as the case may be, the eligible spouse's income for the year by reason of paragraph *c* of section 312 exceeds the capital element of that payment as determined under paragraph *f* of subsection 1 of section 336; and

(*b*) the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year by reason of sections 92.11 to 92.19."

(2) Subsection 1 applies from the taxation year 1998.

116. (1) Section 752.0.9 of the said Act, amended by section 111 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**752.0.9.** The amount to which subparagraph iii of paragraph *a* of section 752.0.7.4 refers for a taxation year in respect of an individual or, as the case may be, the amount referred to in subparagraph iii of paragraph *b* of that section for a taxation year in respect of an individual's eligible spouse for the year, is equal to the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year and described

(*a*) in subparagraph i of paragraph *a* of section 752.0.8; or

(*b*) where the amount is received as a consequence of the death of the individual's spouse, in any of subparagraphs ii to vi of paragraph *a*, or in paragraph *b*, of that section 752.0.8."

(2) Subsection 1 applies from the taxation year 1998.

117. (1) Section 752.0.10.4 of the said Act is replaced by the following section:

"**752.0.10.4.** For the purposes of the definition of "total cultural gifts" in section 752.0.10.1,

(*a*) the fair market value of a property referred to in paragraph *a* of the said definition that is a prescribed cultural property that was the object of a gift after 20 February 1990 is deemed to be the value determined by the Canadian Cultural Property Export Review Board or, where an appeal has been instituted under subsection 1 of section 33.1 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51), the fair market value deemed to have been determined by the Board, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 2 of the said section 33.1 ; and

(*b*) the fair market value of a cultural property referred to in paragraph *b* of the said definition is deemed to be the value determined by the Commission des biens culturels du Québec."

(2) Subsection 1 has effect from 12 July 1996.

118. (1) The said Act is amended by inserting, after section 752.0.10.4, the following section:

"**752.0.10.4.1.** Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect

(*a*) to a certificate issued under section 7.14 of the Cultural Property Act (chapter B-4) or to a decision of a court resulting from an appeal under section 7.16 of that Act; or

(*b*) to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act."

(2) Subsection 1 has effect from 12 July 1996. However, where section 752.0.10.4.1 of the said Act, enacted by subsection 1, applies before (*insert the date of assent to this Act*), it shall be read as follows:

"**752.0.10.4.1.** Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act."

119. (1) Section 752.0.10.15 of the said Act, enacted by section 58 of chapter 63 of the statutes of 1995 and amended by section 79 of chapter 31 of the statutes of 1997, is again amended

(1) by striking out, in the third paragraph, the words "and Part I.1";

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

"For the purposes of the third paragraph, where the taxation year referred to therein is before the taxation year 1998, that paragraph shall be read with the words "and Part I.1" inserted after the words "this Part".

(2) Subsection 1 applies from the taxation year 1998.

120. (1) Section 752.0.11 of the said Act, amended by section 113 of chapter 14 of the statutes of 1997, is again amended, in the second paragraph,

(1) by replacing, in subparagraph *a*, "20%" by "23%";

(2) by replacing subparagraph *c* by the following subparagraph:

"(*c*) C is 3% of the aggregate of the individual's income for the year and of the income for the year of the person who is the individual's spouse at the end of 31 December of that year and who, at that time, is not living separate and apart from the individual;".

(2) Subsection 1 applies from the taxation year 1998.

121. (1) The said Act is amended by inserting, after section 752.0.11, the following section:

"**752.0.11.0.1.** For the purposes of subparagraph *c* of the second paragraph of section 752.0.11, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes the particular time."

(2) Subsection 1 applies from the taxation year 1998.

122. (1) Section 752.0.11.1 of the said Act, amended by section 79 of chapter 1 of the statutes of 1995, by section 59 of chapter 63 of the statutes of 1995 and by section 114 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in the English text, paragraphs *h* and *i* by the following paragraphs:

"(*h*) to a person engaged in the business of providing transportation services, for the transportation of a particular person or a particular person and one person who accompanies the particular person, if, in the latter case, the particular person has been certified by a practitioner to be incapable of travelling without assistance from the locality where the particular person dwells to the place where medical or paramedical services are normally provided, if that place is not less than 40 kilometres from that locality, if equivalent or substantially equivalent services were not available in that locality, if the particular person travelled to that place to obtain such services for himself or herself and if, having regard to the circumstances, it was reasonable to travel to that place to obtain those services and the route travelled was the most reasonably direct route;

"(*i*) for reasonable travel expenses, other than expenses described in paragraph *h*, incurred in respect of a particular person or a particular person and one person who accompanies the particular person, if, in the latter case, the particular person has been certified by a practitioner to be incapable of travelling without assistance, to obtain medical or paramedical services in a place that is not less than 80 kilometres from the locality where the particular person dwells, if equivalent or substantially equivalent services were not available in that locality, if the particular person travelled to that place to obtain such services for himself or herself and if, having regard to the circumstances, it was reasonable to travel to that place to obtain those services and the route travelled was the most reasonably direct route;";

(2) by replacing, in the English text, paragraph *l* by the following paragraph:

"(*l*) for the full-time care in a nursing home of a person, if the person has been certified by a practitioner to be a person who, by reason of lack of normal mental capacity, is and in the foreseeable future will continue to be dependent on others for the person's personal needs and care;";

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

"(*m*) as remuneration for one full-time attendant on a person referred to in section 752.0.11.1.1 for the taxation year in which the expense was incurred if, at the time the remuneration is paid, the attendant is neither the person's spouse nor under 18 years of age, or for the full-time care in a nursing home of such a person;";

(4) by replacing the portion of paragraph *m*.1 before subparagraph i by the following:

"(*m*.1) as remuneration for an attendant for care provided in Canada to a person referred to in section 752.0.11.1.2 for the taxation year in which the expense was incurred, to the extent that the total of amounts so paid does not exceed $5,000, or $10,000 where the person died in the year, if";

(5) by replacing, in the English text, subparagraph iii of paragraph *m*.1 by the following subparagraph:

"iii. each receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;";

(6) by replacing, in the English text, paragraph *n* by the following paragraph:

"(*n*) as remuneration for one full-time attendant on a person in a self-contained domestic establishment in which the person receiving the care lives, if that person is, and has been certified by a practitioner to be, a person who, by reason of mental or physical infirmity, is and is likely to be for a long-continued period of indefinite duration dependent on others for the person's personal needs and care, if, at the time the remuneration is paid, the attendant is neither the person's spouse nor under 18 years of age, and if the receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;";

(7) by replacing, in the English text, subparagraphs ii and iii of paragraph *o* by the following subparagraphs:

"ii. for the care and maintenance of such an animal, including food and veterinary care,

"iii. for reasonable travel expenses of the person incurred for the purpose of attending a school, institution or other facility that trains, in the handling of such animals, individuals who are so impaired, and";

(8) by replacing, in the English text, paragraph *p* by the following paragraph:

"(*p*) as a premium or other consideration to a private health services plan in respect of the individual referred to in section 752.0.11, the individual's spouse or any other person living with the individual and with whom the individual is connected by blood relationship, marriage or adoption, or in respect of several of those persons;";

(9) by replacing, in the English text, subparagraph ii of paragraph *q* by the following subparagraph:

"ii. for reasonable travel, board and lodging expenses, other than expenses described in paragraphs *h* and *i*, of the person and one other person who accompanies the person, and of the donor and one other person who accompanies the donor, incurred in respect of the transplant;".

(2) Paragraphs 3 and 4 of subsection 1 apply from the taxation year 1998.

123. (1) The said Act is amended by inserting, after section 752.0.11.1, the following sections:

"**752.0.11.1.1.** The person referred to in paragraph *m* of section 752.0.11.1 for the taxation year mentioned therein is, as the case may be,

(*a*) where the rules provided for in Book V.2.1 do not apply to the person for that taxation year, a person in respect of whom an amount would be, but for paragraph *d* of section 752.0.14, deductible under section 752.0.14 or 752.0.15 in computing the individual's tax payable under this Part for that taxation year;

(*b*) where the rules provided for in Book V.2.1 apply to the person for that taxation year, a person in respect of whom paragraphs *a* to *c* of section 752.0.14 apply for that taxation year.

"**752.0.11.1.2.** The person referred to in the portion of paragraph *m*.1 of section 752.0.11.1 before subparagraph i for the taxation year mentioned therein is, as the case may be,

(*a*) where the rules provided for in Book V.2.1 do not apply to the person for that taxation year, a person in respect of whom an amount is deductible under section 752.0.14 or 752.0.15 in computing an individual's tax payable under this Part for that taxation year;

(*b*) where the rules provided for in Book V.2.1 apply to the person for that taxation year, a person in respect of whom paragraphs *a* to *d* of section 752.0.14 apply for that taxation year."

(2) Subsection 1 applies from the taxation year 1998.

124. (1) Section 752.0.18.2 of the said Act, enacted by section 118 of chapter 14 of the statutes of 1997, is amended by replacing, in paragraph *a*, "737.16 and 737.21" by "737.16, 737.21 and 737.22.0.3".

(2) Subsection 1 applies from the taxation year 1997.

125. (1) Section 752.0.18.7 of the said Act, enacted by section 118 of chapter 14 of the statutes of 1997, is amended by replacing "737.16 and 737.21" by "737.16, 737.21 and 737.22.0.3".

(2) Subsection 1 applies from the taxation year 1997.

126. (1) The said Act is amended by inserting, after section 752.0.18.9, enacted by section 118 of chapter 14 of the statutes of 1997, the following:

"**CHAPTER I.0.3.3**

"TAX CREDIT FOR TUITION FEES AND EXAMINATION FEES

"**752.0.18.10.** An individual may deduct from tax otherwise payable for a taxation year under this Part an amount equal to 23% of the aggregate of

(*a*) the amount of the individual's tuition fees paid in respect of a year subsequent to the taxation year 1996, where the individual was in the year an

enrolled student, the fees are paid to one of the following educational institutions and the conditions set out in section 752.0.18.13 are met in respect of that amount:

i. an educational institution in Canada that is a university, college or other institution providing post-secondary education, if the fees are paid in respect of an instructional program at the post-secondary level,

ii. an educational institution in Canada recognized by the Minister to be an institution providing courses, other than courses designed for university credit, that furnish a person with skills for, or improve a person's skills in, an occupation,

iii. an educational institution in the United States that is a university, college or other institution providing post-secondary education, if the individual resided in Canada throughout the year near the boundary between Canada and the United States, commuted between the individual's residence and the educational institution and paid the fees in respect of an instructional program at the post-secondary level, or

iv. a university outside Canada if the individual pursued full-time studies leading to a degree, for a period of at least thirteen consecutive weeks; and

(*b*) the amount of the individual's examination fees paid in respect of a year subsequent to the taxation year 1996 to a professional order mentioned in Schedule I to the Professional Code (chapter C-26) where the examination is required to allow the individual to become a member of the corporation and the conditions set out in section 752.0.18.13 are met in respect of that amount.

"**752.0.18.11.** The deduction provided for in section 752.0.18.10 in respect of an individual is allowable only if the total amount of the tuition fees and the examination fees paid in respect of a taxation year exceeds $100.

"**752.0.18.12.** For the purposes of section 752.0.18.10, the amount of tuition fees and examination fees paid in respect of a taxation year does not include

(*a*) an amount paid for one of those purposes on the individual's behalf by the individual's employer or by an employer of the individual's father or mother, unless the amount is included in computing the individual's income or that of the individual's father or mother, as the case may be;

(*b*) where the tuition fees are paid to an educational institution referred to in subparagraph i or ii of paragraph *a* of section 752.0.18.10, the fees in respect of which the individual is or was entitled to receive a reimbursement or any form of assistance under a program of Her Majesty in right of Canada or a province designed to facilitate the entry or re-entry of workers into the labour force, unless the amount of the reimbursement or assistance, as the case may be, is included in computing the individual's income; or

(*c*) the fees paid to an educational institution referred to in subparagraph ii of paragraph *a* of section 752.0.18.10 if,

i. the individual had not yet reached 16 years of age at the end of the year in respect of which the fees are paid, or

ii. it is not reasonable to consider that the purpose of the individual's enrolment at the institution was to provide the individual with skills, or to improve the individual's skills, in an occupation.

"**752.0.18.13.** The conditions to which section 752.0.18.10 refers in respect of an amount for a taxation year in relation to an individual are as follows:

(*a*) the amount was not taken into account in determining an amount that was deducted under this chapter in computing the individual's tax payable under this Part for a preceding taxation year;

(*b*) the amount was not taken into account in determining an amount that was deducted under section 118.5, 118.8 or 118.9 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing the individual's or another person's tax payable under that Act for a preceding taxation year in respect of which the individual was not subject to tax under this Part.

"**752.0.18.14.** Where an individual is absent from Canada but resident in Québec for all or part of a taxation year in respect of which tuition fees are paid, subparagraphs i and ii of paragraph *a* of section 752.0.18.10 shall be read, in relation to fees paid in respect of that year, without reference to the words "in Canada"."

(2) Subsection 1 applies from the taxation year 1997. However, where the portion of section 752.0.18.10 before paragraph *a*, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference therein to "23%" were a reference to "20%".

127. (1) The heading of Chapter I.0.4 of Title I of Book V of Part I of the said Act is replaced by the following heading:

"TRANSFER TO SPOUSE OF UNUSED TAX CREDITS FOR A SEVERE AND PROLONGED MENTAL OR PHYSICAL IMPAIRMENT".

(2) Subsection 1 applies from the taxation year 1998.

128. (1) Section 752.0.19 of the said Act, amended by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing paragraph *a* by the following paragraph:

"(*a*) the amount that the individual's spouse may deduct from the spouse's tax otherwise payable for the year under section 752.0.14, exceeds".

(2) Subsection 1 applies from the taxation year 1998.

129. (1) Section 752.0.22 of the said Act, amended by section 119 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**752.0.22.** For the purpose of computing the tax payable under this Part by an individual, the following provisions shall be applied in the following order: sections 752.0.1, 752.0.7.4, 752.0.18.1, 752.0.18.3, 752.0.18.8, 752.0.14 to 752.0.16, 752.0.19, 752.0.13.4, 752.0.11 to 752.0.13.1.1, 752.0.10.6, 752.0.18.10 and 767."

(2) Subsection 1 applies from the taxation year 1997. However, where section 752.0.22 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read as follows:

"**752.0.22.** For the purpose of computing the tax payable under this Part by an individual, the following provisions shall be applied in the following order: sections 752.0.1, 752.0.18.1, 752.0.18.3, 752.0.18.8, 752.0.8, 752.0.9, 752.0.14 to 752.0.16, 752.0.19, 752.0.13.4, 752.0.11 to 752.0.13.1.1, 752.0.10.6, 752.0.18.10 and 767."

130. (1) Section 752.0.24 of the said Act, amended by section 174 of chapter 49 of the statutes of 1995 and by section 120 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in the portion of subparagraph *a* of the first paragraph before subparagraph i, in subparagraph *b* of that paragraph and in the second paragraph, "752.0.1 to 752.0.19" by "752.0.1 to 752.0.7 and 752.0.10.1 to 752.0.19";

(2) by replacing, in subparagraph i of subparagraph *a* of the first paragraph, "and 752.0.18.8" by ", 752.0.18.8 and 752.0.18.10";

(3) by replacing, in subparagraph ii of subparagraph *a* of the first paragraph, "752.0.9" by "752.0.7".

(2) Paragraphs 1 and 3 of subsection 1 apply from the taxation year 1998.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1997.

131. (1) Section 752.0.25 of the said Act, amended by section 121 of chapter 14 of the statutes of 1997, is again amended by replacing "and 752.0.18.3 to 752.0.19" by ", 752.0.18.3, 752.0.18.8 and 752.0.19".

(2) Subsection 1 applies from the taxation year 1997.

132. (1) Section 752.0.26 of the said Act, amended by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing "752.0.8 to 752.0.18.9" by "752.0.7.1 to 752.0.18.14".

(2) Subsection 1 applies from the taxation year 1997. However, where section 752.0.26 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference therein to "752.0.7.1" were a reference to "752.0.8".

133. (1) Section 752.0.27 of the said Act, amended by section 206 of chapter 39 of the statutes of 1996 and replaced by section 122 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in the portion before paragraph *a*, "752.0.10" by "752.0.7";

(2) by replacing, in paragraphs *a* and *b*, "any of paragraphs *h* to *j*" by "paragraph *i*";

(3) by replacing, in paragraph *b*, "any of sections 752.0.8, 752.0.9 and" and "any of those paragraphs or sections" by "section" and "that paragraph or section", respectively.

(2) Subsection 1 applies from the taxation year 1998.

134. (1) Section 752.14 of the said Act, amended by section 63 of chapter 63 of the statutes of 1995, is replaced by the following section:

"**752.14.** For the purposes of section 752.12, additional tax of an individual for a taxation year is,

(*a*) where the rules provided for in Book V.2.1 do not apply to the individual for that taxation year, the amount by which the individual's minimum tax applicable for the year as determined under section 776.46 exceeds the amount that would be the tax otherwise payable by the individual under this Part for the year if such amount were computed under Book V without reference to sections 752.1 to 752.5, 772.2 to 772.13, 776 and 776.1.1 to 776.1.5;

(*b*) where the rules provided for in Book V.2.1 apply to the individual for that taxation year, the amount by which the individual's minimum tax applicable for the year as determined under section 776.84 exceeds the amount that would be the tax otherwise payable by the individual under this Part for the year but for Title V of that Book."

(2) Subsection 1 applies from the taxation year 1998.

135. (1) The said Act is amended by inserting, after section 752.15, the following section:

"**752.15.1.** For the purposes of section 752.14, the minimum tax applicable to an individual for a taxation year, as determined under section 776.84, shall be computed, as the case may be, by applying the proportion referred to in the second paragraph of section 22."

(2) Subsection 1 applies from the taxation year 1998.

136. (1) Section 766.2 of the said Act, amended by section 84 of chapter 1 of the statutes of 1995 and by section 125 of chapter 14 of the statutes of 1997, is again amended

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

"**766.2.** Where, by reason of section 725.1.2, an individual deducts a particular amount in computing the individual's taxable income, or the individual's taxable income earned in Canada as determined under Part II, for a taxation year, the individual shall add to the individual's tax otherwise payable under this Part for that year the aggregate of all amounts each of which is the amount by which";

(2) by replacing, in subparagraph *c* of the second paragraph, "309.1" by "725.1.2".

(2) Subsection 1 applies from the taxation year 1997.

137. (1) Section 766.4 of the said Act, enacted by section 85 of chapter 1 of the statutes of 1995, is amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

"**766.4.** Where, by reason of section 694.0.1, an individual must include a particular amount in computing the individual's income for a taxation year, the individual may deduct from the individual's tax otherwise payable under this Part for that year, the aggregate of all amounts each of which is the amount by which".

(2) Subsection 1 applies from the taxation year 1997.

138. (1) Section 767 of the said Act is amended by replacing the third paragraph by the following paragraph:

"The first paragraph does not apply in respect of an amount deducted under paragraph *e* of section 725 in computing the individual's taxable income for the year or included in the part referred to in the first paragraph of section 737.16 of the individual's income for the year."

(2) Subsection 1 applies from the taxation year 1997.

139. (1) Section 771 of the said Act, amended by section 199 of chapter 1 of the statutes of 1995, by section 64 of chapter 63 of the statutes of 1995 and by section 33 of chapter 3 of the statutes of 1997, is again amended, in subsection 1,

(1) by replacing the portion of paragraph *f* before subparagraph i by the following:

"(*f*) notwithstanding paragraph *d*.2, in the case of a corporation referred to in paragraph *b*, other than a corporation whose first taxation year begins after 25 March 1997, for a taxation year ending after 31 August 1991 and for which it is a qualified corporation within the meaning of sections 771.5 to 771.7, to the aggregate of 5.75% of the portion of its taxable income for the year equal to the amount determined in its respect for the year under section 771.9 and the amount by which 16.25% of the remaining portion of its taxable income for the year exceeds the aggregate of";

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

"(*h*) notwithstanding paragraph *d*.2, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for a taxation year for which it is a qualified corporation within the meaning of sections 771.5 to 771.7, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of

i. 16.25% of the amount determined in respect of the corporation for the year under section 771.8.3,

ii. 7.35% of the amount by which the lesser of the amount determined in respect of the corporation for the year under paragraph *b* of section 771.8.3 and, where the corporation is not a corporation referred to in paragraph *c* of section 771.8.3, the amount by which its income for the year from an eligible business carried on by the corporation exceeds its loss for the year from such business or, where the corporation is a corporation referred to in that paragraph *c*, the greater of the latter excess amount and the aggregate referred to in subparagraph ii of paragraph *d*.2, exceeds the amount determined in its respect for the year under section 771.8.3, and

iii. where the corporation was, throughout the year, a savings and credit union, 3.15% of the amount by which the amount determined in its respect for the year under section 771.0.2.1 exceeds the amount determined in its respect for the year under section 771.8.3;

"(*i*) notwithstanding paragraphs *d*.2 and *h*, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for its taxation year that includes the last day of its exemption period and for which it is a qualified corporation within the meaning of sections 771.5 to 771.7, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of

i. 16.25% of the amount determined in respect of the corporation for the year under section 771.8.4,

ii. 7.35% of the amount by which the lesser of the amount determined in respect of the corporation for the year under paragraph *b* of section 771.8.4 and, where the corporation is not a corporation referred to in paragraph *c* of section 771.8.4, the amount by which its income for the year from an eligible business carried on by the corporation exceeds its loss for the year from such business or, where the corporation is a corporation referred to in the said paragraph *c*, the greater of the latter excess amount and the aggregate referred to in subparagraph ii of paragraph *d*.2, exceeds the amount determined in its respect for the year under section 771.8.4, and

iii. 3.15% of the amount by which the amount determined in its respect for the year under section 771.0.2.1 exceeds the amount determined in its respect for the year under section 771.8.4;

"(*j*) notwithstanding paragraph *d*.2, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for a taxation year for which it is an exempt corporation within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds 16.25% of the amount determined in its respect for the year under section 771.8.5;

"(*k*) notwithstanding paragraphs *d*.2 and *j*, in the case of a corporation referred to in paragraph *b* whose first taxation year begins after 25 March 1997, for its taxation year that includes the last day of its eligibility period and for which it is an exempt corporation within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of

i. 16.25% of the proportion of the amount determined in respect of the corporation for the year under section 771.8.5 that the number of days in the year included in the eligibility period of the corporation is of the number of days in the year,

ii. 7.35% of the proportion of the amount determined in its respect for the year under section 771.8.5 that the number of days in the year not included in the eligibility period of the corporation is of the number of days in the year, and

iii. where the corporation was, throughout the year, a Canadian-controlled private corporation, 3.15% of the proportion of the lesser of the amount determined in its respect for the year under section 771.8.5 and its business limit for the year that the number of days in the year not included in the eligibility period of the corporation is of the number of days in the year."

(2) Subsection 1 has effect from 26 March 1997.

140. (1) Section 771.0.2.1 of the said Act, amended by section 66 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the portion before paragraph *a*, "*f* and *g*" by "*f* to *i*".

(2) Subsection 1 has effect from 26 March 1997.

141. (1) Section 771.0.2.2 of the said Act, amended by section 67 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in the first paragraph, the portion before the formula by the following:

"**771.0.2.2.** The amount that, for the purposes of paragraph *b* of sections 771.0.2.1 and 771.8.1 to 771.8.5, must be determined in respect of a corporation for a taxation year under this section is the amount determined in respect of the corporation for the year by the formula".

(2) Subsection 1 has effect from 26 March 1997.

142. (1) The said Act is amended by inserting, after section 771.0.6, the following section:

"**771.0.7.** For the purposes of this Title, a corporation is deemed, for the purpose of determining whether it is associated with one or more other corporations in a taxation year, not to be associated in that year with a corporation which, in that year, is not resident and does not have any establishment in Canada."

(2) Subsection 1 is declaratory.

143. (1) Section 771.1 of the said Act, amended by section 68 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**771.1.** In this Title,

"eligibility period" of a corporation means the period that begins at the beginning of the corporation's first taxation year and ends on the earlier of

(*a*) the last day of the five-year period that begins at the beginning of the corporation's first taxation year, and

(*b*) the last day of the taxation year preceding the taxation year in which the corporation ceases to be an exempt corporation within the meaning of sections 771.12 and 771.13;

"eligible business", in relation to any business carried on by a corporation, means any business carried on by a corporation other than a specified investment business or a personal services business and includes, except for the purposes of subparagraph *a* of the second paragraph of section 771.6 and paragraph *d* of sections 771.8 to 771.8.4, an adventure or concern in the nature of trade;

"exemption period" of a corporation means the period that begins at the beginning of the corporation's first taxation year and ends on the earlier of

(*a*) the last day of the five-year period that begins at the beginning of the corporation's first taxation year, and

(*b*) the last day of the taxation year preceding the taxation year in which the corporation ceases to be a qualified corporation within the meaning of sections 771.5 to 771.7;

"information technology development centre" means a group of businesses carried on in the same building designated by the Minister of Finance;

"specified investment business" carried on by a corporation in a taxation year means a business, other than a business carried on by a savings and credit union or a business of leasing property other than immovable property, the principal purpose of which is to derive income from property, including interest, dividends, rents or royalties, unless the corporation employs in the business throughout the year more than five full-time employees, or in the course of carrying on an eligible business, any other corporation associated with it provides financial, administrative, maintenance, managerial or other similar services to the corporation in the year and the corporation could reasonably be expected to require more than five full-time employees if those services had not been provided."

(2) Subsection 1 has effect from 26 March 1997.

144. (1) Section 771.1.3 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**771.1.3.** Notwithstanding section 771.1.2, if none of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and all of those corporations have filed with the Minister in prescribed form an agreement whereby, for the purposes of this Title, they allocate an amount to one or more of them for the year and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, is $200,000, the business limit for the year of each of the corporations is the amount so allocated to it."

(2) Subsection 1 applies to taxation years of a corporation that end after 25 September 1996, except where an agreement has been filed with the Minister of Revenue by the corporation before 26 March 1997, in accordance with section 771.1.3 of the said Act, replaced by subsection 1, or where the Minister of Revenue has allocated, before 26 March 1997, an amount to the corporation under section 771.1.4 of the said Act replaced by section (*insert the section number in this Act that replaces section 771.1.4 of the Taxation Act*).

145. (1) Section 771.1.4 of the said Act, replaced by section 34 of chapter 3 of the statutes of 1997, is again replaced by the following section:

"**771.1.4.** If any of the Canadian-controlled private corporations referred to in section 771.1.3 has failed to file with the Minister an agreement referred to therein within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this Title, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal $200,000, and in any such case, notwithstanding section 771.1.2, the business limit for the year of each of the corporations is the amount so allocated to it."

(2) Subsection 1 applies to taxation years of a corporation that end after 25 September 1996, except where the Minister of Revenue has allocated, before 26 March 1997, an amount to the corporation under section 771.1.4 of the said Act replaced by subsection 1.

146. (1) The said Act is amended by inserting, after section 771.1.4, the following section:

"**771.1.4.1.** Notwithstanding section 771.1.2, where any of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and an amount is allocated, in accordance with subsection 3 or 4 of section 125 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to one or more of those corporations for the year, the business limit for the year of each of the corporations is deemed to be its business limit that would be determined for that year for the purposes of paragraph *c* of subsection 1 of that section 125 but for subsection 5.1 of that section.

Where, for a taxation year, a corporation referred to in the first paragraph has filed an agreement with the Minister of National Revenue in accordance with subsection 3 of section 125 of the Income Tax Act, the corporation shall file with the Minister, for that year, a copy of the agreement."

(2) Subsection 1 applies to taxation years of a corporation that end after 25 September 1996, except where an agreement has been filed with the Minister of Revenue by the corporation before 26 March 1997, in accordance with section 771.1.3 of the said Act, replaced by section (*insert the section number in this Act that replaces section 771.1.3 of the Taxation Act*), or for which the Minister of Revenue has allocated an amount before 26 March 1997 to the corporation under section 771.1.4 of the said Act, replaced by section (*insert the section number in this Act that replaces section 771.1.4 of the Taxation Act*). However, where section 771.1.4.1 of the said Act, enacted by subsection 1, applies to taxation years prior to the taxation year 1998, it shall be read as follows:

"**771.1.4.1.** Notwithstanding section 771.1.2, where any of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than

Québec and an amount is allocated, in accordance with subsection 3 of section 125 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to one or more of those corporations for the year, the amount so allocated to a corporation is deemed, for that year, to be the amount allocated to that corporation for the purposes of this Title and the business limit for the year of each of the corporations is the amount so allocated to it for the year.

If, for a taxation year, a corporation referred to in the first paragraph has filed an agreement with the Minister of National Revenue in accordance with subsection 3 of section 125 of the Income Tax Act, it shall file with the Minister, for that year, a copy of the agreement.

If any of the Canadian-controlled private corporations referred to in the first paragraph has failed to file with the Minister a copy of the agreement referred to in the second paragraph within 30 days after notice in writing by the Minister has been forwarded to any of them that a copy of such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this Title, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal $200,000, and in any such case, notwithstanding the first paragraph, the business limit for the year of each of the corporations is the amount so allocated to it."

147. (1) Section 771.1.5 of the said Act, amended by section 69 of chapter 63 of the statutes of 1995 and by section 35 of chapter 3 of the statutes of 1997, is again amended

(1) by replacing the portion of paragraph *a* before subparagraph i by the following:

"(*a*) where a Canadian-controlled private corporation to which section 771.1.3 or 771.1.4 applies, in this section referred to as the "first corporation", has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another Canadian-controlled private corporation that has a taxation year ending in that calendar year, the business limit of the first corporation for each particular taxation year ending in the calendar year in which it is associated with the other corporation that ends after the first such taxation year ending in that calendar year is, subject to the application of paragraph *b*, an amount equal to the lesser of";

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

"(*b*) where a Canadian-controlled private corporation to which any of sections 771.1.2 to 771.1.4 applies has a taxation year of fewer than 51 weeks, its business limit for the year is that proportion of its business limit for the year, determined without reference to this paragraph and sections 771.1.5.1 and 771.1.5.2, that the number of days in the year is of 365."

(2) Subsection 1 applies from the taxation year 1998.

(3) In addition, where section 771.1.4.1 of the said Act, enacted by section (*insert the section number in this Act that enacts section 771.1.4.1 of the Taxation Act*), applies to taxation years preceding the taxation year 1998, section 771.1.5 of the said Act, amended by subsection 1, shall be read as if the reference in the portion before paragraph *a* thereof to "771.1.4" were a reference to "771.1.4.1" and as if the reference in subparagraphs i and ii of paragraph *a* thereof to "section 771.1.3 or 771.1.4" were a reference to "any of sections 771.1.3 to 771.1.4.1".

148. (1) Section 771.2.2 of the said Act, replaced by section 71 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997, is again replaced by the following section:

"**771.2.2.** For the purposes of subparagraphs i and ii of paragraphs *d*.1 and *d*.2 of subsection 1 of section 771, subparagraphs ii and iii of paragraphs *e* to *i* of subsection 1 of section 771 and paragraph *d* of sections 771.8 to 771.8.4, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed as if any income or loss of the corporation for the year from the operations of an international financial centre were nil."

(2) Subsection 1 has effect from 26 March 1997.

149. (1) Section 771.5 of the said Act, amended by section 72 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 83 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in the portion before paragraph *a*, "paragraphs *e* to *g*" by "paragraphs *e* to *i*";

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

"(*c*) the year is

i. in respect of a corporation the first taxation year of which began after 25 March 1997, included, in whole or in part, in the exemption period of the corporation, and

ii. in any other case, one of the first three taxation years of the corporation;".

(2) Subsection 1 has effect from 26 March 1997.

150. (1) Section 771.5.1 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997 and by section 84 of chapter 31 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

"**771.5.1.** For the purposes of paragraph *d* of section 771.5, a return that has not been filed by the corporation referred to therein within the time specified therein is deemed to have been filed within that time if the return is filed, in prescribed form and along with a payment by the corporation of the penalty described in the second paragraph, on or before the corporation's filing-due date:

(*a*) in the case of a corporation whose first taxation year begins after 25 March 1997, for its taxation year in which the five-year period following the beginning of its first taxation year ends; and

(*b*) in any other case, for its third taxation year."

(2) Subsection 1 has effect from 26 March 1997.

151. (1) Section 771.6 of the said Act, amended by section 73 of chapter 63 of the statutes of 1995, by section 208 of chapter 39 of the statutes of 1996 and by section 38 of chapter 3 of the statutes of 1997, is again amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

"(*b*) its paid-up capital that, but for sections 1138.0.1 and 1141.3, would be determined in accordance with section 771.1.5.3 for the taxation year preceding the year or, where the corporation's year is its first fiscal period, that is determined on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles, exceeds

i. in the case of a corporation whose first taxation year begins after 25 March 1997, $15,000,000, and

ii. in any other case, $10,000,000."

(2) Subsection 1 has effect from 26 March 1997.

152. (1) The said Act is amended by inserting, after section 771.8.2, enacted by section 76 of chapter 63 of the statutes of 1995, the following sections:

"**771.8.3.** The amount which, for the purposes of subparagraphs i to iii of paragraph *h* of subsection 1 of section 771, is to be determined under this section in respect of a corporation for a taxation year is the least of

(*a*) $200,000;

(*b*) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the amount, if any, of the corporation's taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part; and

(*c*) where the corporation was a savings and credit union throughout the year, the greater of

i. the amount by which 4/3 of its maximum cumulative reserve at the end of the year exceeds the aggregate, for any preceding taxation year, of the amount determined in its respect under this section and the excess amount described in subparagraph iii of paragraph *h* of subsection 1 of section 771, and

ii. the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business; or

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

"**771.8.4.** The amount which, for the purposes of subparagraphs i to iii of paragraph *i* of subsection 1 of section 771, is to be determined in respect of a corporation for a taxation year under this section is the least of

(*a*) the proportion of $200,000 that the number of days in the year between the corporation's exemption period is of the number of days in the year;

(*b*) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the amount, if any, of the corporation's taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part; and

(*c*) where the corporation was a savings and credit union throughout the year, the greater of

i. the amount by which 4/3 of its maximum cumulative reserve at the end of the year exceeds the aggregate, for any preceding taxation year, of the amount determined in its respect under section 771.8.3 and the excess amount described in subparagraph iii of paragraph *h* of subsection 1 of section 771, and

ii. the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business; or

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

"**771.8.5.** The amount which, for the purposes of paragraph *j* and subparagraphs i to iii of paragraph *k* of subsection 1 of section 771, is to be determined under this section in respect of a corporation for a taxation year is the lesser of

(*a*) the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business; and

(*b*) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the amount, if any, of the corporation's taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part.

"**771.8.6.** Where the taxation year of a corporation referred to in section 771.8.3 or 771.8.4 has fewer than 51 weeks, the reference in paragraph *a* of that section to $200,000 shall be read as a reference to the proportion of that amount that the number of days in the year is of 365."

(2) Subsection 1 has effect from 26 March 1997.

153. (1) Section 771.9 of the said Act, amended by section 77 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing paragraph *a* by the following paragraph:

"(*a*) the amount by which any excess amount referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.2 in respect of the corporation for a taxation year preceding the particular year in relation to a non-capital loss sustained by the corporation for a taxation year ending before 26 March 1997 exceeds the amount determined, where such is the case, under this section for the immediately preceding taxation year;".

(2) Subsection 1 has effect from 26 March 1997.

154. (1) Section 771.11 of the said Act, replaced by section 78 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997 and by section 290 of chapter 14 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

"**771.11.** Where the tax payable by a corporation for a particular taxation year is determined under any of paragraphs *e* to *g* of subsection 1 of section 771, the corporation is deemed, for the purposes of the application of section 734 and subparagraph i of subparagraph *a* of the first paragraph of section 1029.2 to any subsequent taxation year, to have deducted under Title VII of Book IV, in computing its taxable income for the particular year, the amount that may be deducted in respect of any loss sustained for a taxation year ending before 26 March 1997 which, except where the corporation was a savings and credit

union throughout the particular year, is not a net capital loss under the said Title in such computation for the particular year and which the corporation has not otherwise deducted in such computation for the particular year."

(2) Subsection 1 has effect from 26 March 1997.

155. (1) The said Act is amended by inserting, after section 771.11, the following sections:

"**771.12.** For the purposes of paragraphs *j* and *k* of subsection 1 of section 771 and subject to section 771.13, a corporation is an exempt corporation for a taxation year where

(*a*) the corporation holds a certificate issued and unrevoked by the Minister of Finance establishing that the corporation carries on a business in a building housing an information technology development centre and that the carrying on of the business began after 25 March 1997;

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

(*c*) all or substantially all of the corporation's activities in the year and in any preceding year consist in carrying on an eligible business;

(*d*) the year is comprised in whole or in part in the corporation's eligibility period; and

(*e*) the corporation has filed a copy of the certificate referred to in paragraph *a* with the Minister.

"**771.13.** A corporation is not an exempt corporation for a taxation year if, at any time in the period extending from the day of its incorporation to the end of that year, the corporation was a beneficiary of a trust or carried on

(*a*) a personal services business; or

(*b*) an eligible business as a member of a partnership or as a co-participant in a joint venture with another person or a partnership."

(2) Subsection 1 has effect from 26 March 1997.

156. (1) Section 772.2 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 209 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 129 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing paragraph *a* of the definition of "tax otherwise payable" by the following paragraph:

"(*a*) without reference to this chapter, sections 752.1 to 752.5, 766.2 to 766.4, 767, 776 to 776.1.6, 776.17, 776.29 to 776.40, 1183 and 1184 and subparagraphs i and ii of paragraph *d*.2 of subsection 1 of section 771, subparagraphs i to iii of paragraphs *f*, *h*, *i* and *k* of that subsection 1 and paragraph *j* of that subsection 1; and";

(2) by replacing subparagraph 2 of subparagraph ii of paragraph *a* of the definition of "unused portion of the foreign tax credit" by the following subparagraph:

"(2) where the year is a taxation year that is before the taxation year 1998, the total of the amount deductible under section 772.8 in respect of that country in computing the individual's tax payable under this Part for the year and the portion, that may reasonably be regarded as deductible under section 1086.3 in computing the individual's tax payable under Part I.1 for the year, of the business-income tax paid by the individual for the year in respect of businesses carried on by the individual in that country, or, where the year is a taxation year that is after the taxation year 1997, the amount deductible under section 772.8 in respect of that country in computing the individual's tax payable under this Part for the year; and".

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 25 March 1997.

157. (1) Section 772.7 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997 and by section 130 of chapter 14 of the statutes of 1997, is again amended by inserting, in subparagraph ii of subparagraph *b* of the first paragraph, "737.22.0.3," after "737.21,".

(2) Subsection 1 applies from the taxation year 1997.

158. (1) Section 772.9 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 131 of chapter 14 of the statutes of 1997, is again amended by inserting, in subparagraph 2 of subparagraph ii of paragraph *a*, "737.22.0.3," after "737.21,".

(2) Subsection 1 applies from the taxation year 1997.

159. Section 772.10 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995, is amended by replacing paragraph *c* by the following paragraph:

"(*c*) an individual's unused portion of the foreign tax credit in respect of a country for a taxation year is deductible under section 772.8 in computing the individual's tax payable under this Part for a particular taxation year only to the extent that it exceeds the aggregate of the amounts deducted in respect of that unused portion of the foreign tax credit in computing the individual's tax

payable under this Part for taxation years preceding the particular year, or under Part I.1 for taxation years preceding the particular year that are before the taxation year 1998."

160. (1) Section 772.11 of the said Act, enacted by section 82 of chapter 63 of the statutes of 1995 and amended by section 132 of chapter 14 of the statutes of 1997, is again amended by inserting, in subparagraph 2 of subparagraph ii of subparagraph *a* of the second paragraph, "737.22.0.3," after "737.21,".

(2) Subsection 1 applies from the taxation year 1997.

161. (1) Section 776.1.4 of the said Act, replaced by section 86 of chapter 63 of the statutes of 1995 and amended by section 135 of chapter 14 of the statutes of 1997, is again amended by replacing subparagraph *a* of the second paragraph by the following subparagraph:

"(*a*) the aggregate of the individual's pensionable salary and wages for the year, determined in accordance with section 45 of the Act respecting the Québec Pension Plan (chapter R-9) and, where such pensionable salary and wages are determined for the year 1996 or 1997, as if that section were read without reference to subparagraph *c* of the second paragraph thereof, and the individual's income for the year from a business exceeds the amount of Basic Exemption determined for the year in accordance with section 42 of that Act; and".

(2) Subsection 1 applies in respect of shares acquired after 9 May 1996.

162. (1) Title IV.1 of Book V of Part I of the said Act is repealed.

(2) Subsection 1 has effect from 1 September 1997, except in respect of payments of

(1) a child allowance provided for in the Act respecting family assistance allowances (R.S.Q., chapter A-17) that relate to a situation before 1 August 1997, or

(2) a newborn child allowance provided for in sections 8 to 12.1 of the Act respecting family assistance allowances in respect of children who, on 30 September 1997, give entitlement or have given entitlement to that allowance or in respect of children placed for adoption in a family before 1 October 1997, even where in that case the required adoption judgment has yet to be pronounced.

163. (1) Section 776.29 of the said Act, amended by section 86 of chapter 1 of the statutes of 1995, by section 88 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 137 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**776.29.** In this Title,

"eligible spouse" of an individual for a taxation year means the person who is the individual's spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual;

"family income" of an individual for a taxation year means the amount by which $26,000 is exceeded by the aggregate of:

(*a*) the income of the individual for the year; and

(*b*) the income, for the year, of the individual's eligible spouse for the year;

"tax otherwise payable" by an individual under this Part for a taxation year means the tax payable by the individual for the year under this Part, computed without reference to this Title."

(2) Subsection 1 applies from the taxation year 1998. In addition,

(1) where subparagraph *c* of the first paragraph of section 776.29 of the said Act, replaced by subsection 1, applies to the taxation year 1997, that subparagraph shall be read without reference to subparagraph 4 of subparagraph i and subparagraph 2 of subparagraph ii;

(2) where subparagraph *a* of the fourth paragraph of section 776.29 of the said Act, replaced by subsection 1, applies to the taxation year 1997, it shall be read as follows:

"(*a*) any amount that may or would, but for section 752.0.18.2, be included for the year in the aggregate referred to in section 752.0.18.1 in respect of the individual;".

164. (1) Section 776.30 of the said Act, amended by section 87 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**776.30.** For the purposes of the definition of "eligible spouse" in section 776.29, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time."

(2) Subsection 1 applies from the taxation year 1998.

165. (1) The said Act is amended by inserting, after section 776.30, the following section:

"**776.30.1.** For the purposes of the definition of "family income" in section 776.29, where an individual was resident in Canada for only part of a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part but for Book V.2.1 and if the individual had been resident in Québec and Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death."

(2) Subsection 1 applies from the taxation year 1998.

166. (1) Section 776.32 of the said Act is amended

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

"**776.32.** Every individual, other than a trust, who is resident in Québec on the last day of a taxation year and, during the year, has a dependent person as is designated in the prescribed form by the individual, may deduct from the individual's tax otherwise payable for that taxation year under this Part an amount equal to the amount, for the year, by which the aggregate determined under section 776.33 exceeds the amount determined under section 776.34.";

(2) by striking out the second paragraph.

(2) Subsection 1 applies from the taxation year 1998.

167. (1) The said Act is amended by inserting, after section 776.32, the following sections:

"**776.32.1.** Where an individual is referred to in the second paragraph of section 22, the amount that may be deducted by the individual under section 776.32 from the individual's tax otherwise payable for a taxation year under this Part shall not exceed that portion of the amount that is the proportion determined under that paragraph in respect of the individual for the year.

"**776.32.2.** Where, for a taxation year, a particular individual referred to in section 776.32 has an eligible spouse for the year who is also an individual referred to in that section,

(*a*) the amount deductible by the particular individual for the year under section 776.32, determined without reference to this section, shall be reduced by such portion of the amount as is designated in respect of the particular individual by the particular individual and the eligible spouse in prescribed form filed by the particular individual with the individual's fiscal return under this Part for the year;

(*b*) the amount deductible by the eligible spouse for the year under section 776.32, determined without reference to this section, shall be reduced by the amount determined for the year under paragraph *a* in respect of the particular individual;

(*c*) where the particular individual and the eligible spouse cannot agree on the portion of the amount that may be designated for the year in accordance with paragraph *a* in respect of the particular individual, the Minister may designate such portion and, for the purposes of paragraph *a*, the designation is deemed to have been made in prescribed form by the particular individual and the eligible spouse; and

(*d*) the amount determined for the year under paragraph *a* in respect of the particular individual and the amount determined for the year under paragraph *b* in respect of the eligible spouse are deemed to be the amount deductible by the particular individual for the year under that section 776.32 and the amount so deductible by the eligible spouse for the year, respectively."

(2) Subsection 1 applies from the taxation year 1998.

168. (1) Section 776.33 of the said Act is amended

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

"**776.33.** The aggregate to which the first paragraph of section 776.32 refers is equal to the total of";

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

"(*b*) $530 in respect of the individual's eligible spouse for the year;".

(2) Subsection 1 applies from the taxation year 1998.

169. (1) Section 776.34 of the said Act, amended by section 88 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**776.34.** The amount to which the first paragraph of section 776.32 refers is equal to 6% of the family income of the individual referred to therein for the year."

(2) Subsection 1 applies from the taxation year 1998. In addition, where section 776.34 of the said Act, replaced by subsection 1, applies to the taxation year 1997, the portion of paragraph *a* of that section before subparagraph i shall be read as if the reference therein to "4%" were a reference to "4.7%".

170. (1) Sections 776.35 and 776.36 of the said Act are repealed.

(2) Subsection 1 applies from the taxation year 1998.

171. (1) Section 776.37 of the said Act is replaced by the following section:

"**776.37.** An individual who has an eligible spouse for a taxation year is entitled to the deduction under section 776.32 for the taxation year only if the individual files with the Minister, together with the individual's fiscal return under this Part for the year, a certificate from the spouse in prescribed form."

(2) Subsection 1 applies from the taxation year 1998.

172. (1) Section 776.40 of the said Act is amended by striking out the words "in the second paragraph of section 776.32 or".

(2) Subsection 1 applies from the taxation year 1998.

173. (1) Section 776.42 of the said Act, amended by section 89 of chapter 1 of the statutes of 1995, by section 90 of chapter 63 of the statutes of 1995 and by section 273 of chapter 39 of the statutes of 1996, is again amended by striking out, in the portion before paragraph *a*, ", except section 776.66" and "and 776.66".

(2) Subsection 1 applies from the taxation year 1998.

174. (1) Section 776.43 of the said Act, amended by section 90 of chapter 1 of the statutes of 1995, is again amended by striking out, in the second paragraph, "and 776.66".

(2) Subsection 1 applies from the taxation year 1998.

175. (1) Section 776.45 of the said Act is amended by adding, after paragraph *e*, the following paragraph:

"(*f*) a taxation year of an individual to whom the rules provided for in Book V.2.1 apply for that taxation year."

(2) Subsection 1 applies from the taxation year 1998.

176. (1) Section 776.65 of the said Act, amended by section 92 of chapter 63 of the statutes of 1995 and by section 141 of chapter 14 of the statutes of 1997, is again amended by striking out, in the first and second paragraphs, "752.0.7, 752.0.10.1 to 752.0.10.15, 752.0.11 to".

(2) Subsection 1 applies from the taxation year 1998.

177. (1) Book V.2 of Part I of the said Act, enacted by section 91 of chapter 1 of the statutes of 1995, is repealed.

(2) Subsection 1 applies from the taxation year 1998.

178. (1) The said Act is amended by inserting, after section 776.66, the following:

"BOOK V.2.1

"SIMPLIFIED TAXATION SYSTEM

"TITLE I

"BASIC RULES

"**776.67.** Notwithstanding any other provision of this Part, the rules provided for in this Book apply, for a taxation year, to an individual other than a trust, where for that taxation year, the individual is a person referred to in section 776.68 and files a fiscal return under this Part other than a fiscal return filed in the individual's respect pursuant to section 782, and where

(*a*) the individual estimates in that fiscal return the tax payable by the individual for the year under this Part with reference to the provisions of this Book; or

(*b*) where paragraph *a* does not apply, the Minister, with the consent of the individual, determines the tax payable by the individual for the year under this Part with reference to the provisions of this Book.

"**776.68.** The person to whom section 776.67 refers is a person who

(*a*) is resident in Canada throughout the taxation year;

(*b*) is resident in Québec on 31 December of the taxation year; and

(*c*) has not become a bankrupt during the calendar year that includes the taxation year.

"TITLE II

"RULES APPLICABLE TO THE COMPUTING OF INCOME

"**776.69.** The individual shall, in computing income for the year from an office or employment, deduct only the amount that is deductible for the year under paragraph *c* of section 70 or section 78.6 in respect of the office or employment.

"**776.70.** The individual shall not deduct any amount in computing income for the year from a property, unless the income is derived from the renting of property.

"**776.71.** The individual shall, in computing income for the year under Title VI of Book III, deduct only the amount deductible for the year under paragraph *b* of section 339, where that paragraph refers to sections 922 and 923.

"**776.72.** Except for the purposes of sections 613.2 to 613.5, paragraph *i* of section 255 and of paragraph *l* of section 257, where the individual is a member of a partnership in the year, no amount in respect of that year in relation to the individual shall be deducted in computing the income of a partnership from property, unless the income is derived from the renting of the property, or shall be deducted in computing the income of a partnership under Title VI of Book III.

"**776.73.** The aggregate of all amounts deductible by the individual under paragraph *a* of section 130 in computing income for the year in respect of film properties, within the meaning of paragraph *b* of section 776.50 where that paragraph refers to prescribed property, shall not exceed the lesser of

(*a*) the aggregate of the amounts otherwise so deductible for the year; and

(*b*) the amount by which

i. the aggregate of the individual's incomes for the year from the renting or leasing of film properties owned by the individual or by a partnership, computed without reference to paragraph *a* of section 130, exceeds

ii. the aggregate of the individual's losses for the year from the renting or leasing of film properties owned by the individual or by a partnership, computed without reference to paragraph *a* of section 130.

For the purposes of the first paragraph, where the individual is a member of a partnership in the year, any amount deducted by the partnership in computing income under paragraph *a* of section 130 for its fiscal period that ends in the year in respect of such film property is deemed to have been deducted by the individual under that paragraph, to the extent of the individual's partnership interest, in computing the individual's income for the year in respect of the film property.

"**776.74.** Where the individual has, in the year, sustained an allowable business investment loss, that loss is, for the purposes of subparagraph ii of paragraph *c* of section 28, deemed to be nil.

"TITLE III

"RULE APPLICABLE TO THE COMPUTING OF TAXABLE INCOME

"**776.75.** The individual shall, in computing taxable income for the year, deduct only the amount deductible for the year under any of paragraphs *b* to *c* and *e* of section 725.

"TITLE IV

"RULES APPLICABLE TO THE COMPUTING OF TAX PAYABLE

"**776.76.** In this Title, where this Title refers to tax payable under this Part or tax otherwise payable under this Part, the tax shall be computed as if this Part read with no reference to Title V.

"**776.77.** The individual shall, under Book V, in computing tax payable for the year under this Part, deduct only the amount deductible for the year under sections 752.0.1 to 752.0.7, by virtue of any of paragraphs *b* to *g* of section 752.0.1 and sections 752.0.7.1 to 752.0.10.15 and 776.29 to 776.40.

Where the first paragraph applies to an individual referred to in the second paragraph of section 22, the amount the individual may, under the first paragraph, deduct under Book V in computing tax payable for the year under this Part, shall be determined without reference to the proportion referred to in section 752.0.23 or 776.32.1, as the case may be.

"**776.78.** The individual may deduct from tax otherwise payable for the year under this Part, 23% of an amount of $8,250.

"**776.79.** Where the individual, referred to as the "particular individual" in this section, has a spouse at the end of 31 December of the year with whom the individual is not living separate and apart at that time, and where the spouse is also an individual in respect of whom the rules provided for in this Book apply for that year, the particular individual may deduct from tax otherwise payable for the year under this Part the amount by which

(*a*) the aggregate of all amounts each of which is the amount deductible, pursuant to section 776.77, by the spouse under Book V in computing tax payable for the year under this Part, or the amount deductible by the spouse under section 776.78 in computing that tax payable; exceeds

(*b*) the amount of tax payable by the spouse for the year under this Part, computed without reference to the deductions to which paragraph *a* refers.

For the purposes of the first paragraph, the particular individual shall not be considered to be living separate and apart from the individual's spouse at the end of 31 December of the year unless they were living separate and apart at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.

"**776.80.** The amounts deductible by the individual in computing tax payable for the year under this Part shall be deducted in the following order:

(*a*) the amount deductible by the individual under section 776.78;

(*b*) the amount, pursuant to section 776.77 and subject to section 752.0.22, deductible under Book V where that section 776.77 refers to sections 752.0.1 to 752.0.10.15;

(*c*) the amount, pursuant to section 776.77, deductible under Book Vwhere that section refers to sections 776.29 to 776.40;

(*d*) the amount deductible by the individual under section 776.79.

"**776.81.** Where the individual is referred to in the second paragraph of section 22, the amount deductible by the individual under Book V, pursuant to section 776.77, and under sections 776.78 and 776.79 in computing tax payable for the year under this Part shall not exceed the portion of the amount determined by the proportion referred to in that paragraph in respect of the individual for the year.

"TITLE V

"MINIMUM REPLACEMENT TAX APPLICABLE UNDER THE SIMPLIFIED TAXATION SYSTEM

"**776.82.** Where the amount that, but for this Title, would be tax otherwise payable by the individual for the year under this Part, is less than the minimum tax applicable to the individual for the year, as determined under section 776.84, the tax payable by the individual for the year under this Part is, notwithstanding any other provision of this Part, equal to that minimum tax.

"**776.83.** Where the individual is referred to in the second paragraph of section 22, the proportion referred to in that paragraph in respect of the individual for the year applies in relation to the minimum tax applicable to the individual for the year, as determined under section 776.84.

"**776.84.** The minimum tax applicable to the individual for the year is equal to the amount determined by the formula

$$A (B - C) - D.$$

For the purposes of the formula in the first paragraph,

(*a*) A is a rate of 23%;

(*b*) B is the adjusted taxable income of the individual for the year, as determined under section 776.85;

(*c*) C is an amount of $25,000; and

(*d*) D is the individual's basic minimum tax deduction for the year, as determined under section 776.88.

"**776.85.** The individual's adjusted taxable income for the year is equal to the amount that the individual's taxable income would be for the year if it were computed with reference to the rules provided for in sections 776.86 and 776.87.

"**776.86.** For the purposes of section 776.85, the aggregate of all amounts deductible by the individual in computing income for the year under paragraph *c* of section 70 and paragraph *b* of section 339 where that paragraph *b* refers to sections 922 and 923, shall be established as if it were equal to the lesser of

(*a*) the aggregate of the amounts otherwise so deductible for the year;

(*b*) the aggregate of all amounts each of which is an amount included in computing the individual's income for the year and that is a single payment made under out of or under a deferred profit sharing plan, a pension plan or a foreign retirement arrangement

i. as a consequence of the death, withdrawal from the plan or arrangement or termination of employment of a person,

ii. on the winding-up of the plan or arrangement in full satisfaction of all rights of the beneficiary under the plan or arrangement, or

iii. to which the individual is entitled by reason of an amendment to the plan or arrangement.

"**776.87.** For the purposes of section 776.85, except in respect of a disposition of property to which sections 484 to 484.6 apply,

(*a*) the first paragraph of section 231 shall be construed as if the taxable capital gain, the allowable capital loss or the allowable business investment loss represented the total amount of the capital gain, of the capital loss or of the business investment loss, as the case may be, from the disposition of property;

(*b*) section 265 shall be construed as if the taxable net gain represented the aggregate of the net gain from the disposition of precious property; and

(*c*) each amount deemed, under section 668, to be a taxable capital gain for the year of an individual is deemed to be equal to 4/3 of that amount.

"**776.88.** The individual's basic minimum tax deduction for the year is the aggregate of all amounts each of which is the amount deductible, pursuant to section 776.77 where that section refers to sections 752.0.1 to 752.0.10.15, by the individual under Book V in computing tax payable for the year under this Part, or the amount deductible by the individual under section 776.78 in computing that tax payable.

Where the first paragraph applies to an individual referred to in the second paragraph of section 22, for the purpose of determining the basic minimum tax deduction of that individual for the year, the amount deductible, pursuant to section 776.77 where that section refers to sections 752.0.1 to 752.0.10.15, by the individual under Book V in computing tax payable for the year under this Part, or the amount deductible by the individual under section 776.78 in computing that tax payable, shall be determined without reference to the proportion referred to in section 776.81.

"TITLE VI

"MISCELLANEOUS RULES

"**776.89.** The individual may not, for the year, make the election provided for in section 118 of the Act respecting the application of the Taxation Act (1972, chapter 24).

"**776.90.** Where an amount would, but for the provisions of Title II, be deductible in computing the individual's income for the year under

(*a*) section 78.2, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of paragraph *j*.2 of section 87;

(*b*) paragraph *b* of section 125.0.1, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of subparagraph i of paragraph *k*.1 of section 257;

(*c*) the second paragraph of section 167, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of paragraph *b* of section 157.6 and paragraph *k* of section 257;

(*d*) section 176, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of paragraph *b* of section 176.1;

(*e*) paragraph *f* of subsection 1 of section 336, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of paragraph *c* of section 976.1;

(*f*) paragraph *i* of subsection 1 of section 336, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of paragraph *d* of section 976;

(*g*) paragraph *f* of section 339, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of section 432 and the second paragraph of section 968;

(*h*) section 348, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of paragraph *b* of subsection 3 of that section.

"**776.91.** For the purposes of section 62.3, subsection 2 of section 175.1, paragraph *e*.1, subparagraph xi of paragraph *i* and paragraph *k* of section 255 and subparagraph *b* of the first paragraph of section 485.3, an amount shall not be considered not to be deductible in computing the individual's income for the year because of the provisions of Title II.

"**776.92.** For the purposes of paragraph *c* of section 257, where the part of the cost of property would, but for the provisions of Title II, be deductible in computing an individual's income for the year, that part is deemed, notwithstanding those provisions, to be so deductible.

"**776.93.** For the purposes of paragraph *b* of section 462.24, where the amount of a payment referred to in that paragraph would, but for the provisions of Title II, be deductible in computing the individual's income for the year, that part is deemed, notwithstanding those provisions, to be so deductible.

"**776.94.** For the purposes of subparagraph iii of subparagraph *b* of the first paragraph of section 484.11, where an outlay, an expense or an amount referred to in the part of that subparagraph before subparagraph i would, but for the provisions of Title II, be deductible in computing the individual's income for the year, that outlay, expense or amount, as the case may be, is deemed, notwithstanding those provisions, to be so deductible.

"**776.95.** For the purposes of subparagraph *b* of the first paragraph of section 485.3, where an amount of interest referred to in that subparagraph would, but for the provisions of Title II, be deductible in computing the individual's income for the year, that amount is deemed, notwithstanding those provisions, to be so deductible.

"**776.96.** Subject to section 776.97, where the individual is a particular individual referred to in section 316.1 or a person referred to in sections 462.1 and 462.2, the provisions of Title II do not apply for the purpose of determining income or loss for the year from property that is deemed, under any of those sections, to be income or loss for the year of another individual from that property.

"**776.97.** Notwithstanding section 776.96, where a person whose income or loss for the year from property is deemed, under any of sections 316.1, 462.1 and 462.2, to be income or loss for the year from that property of an individual to whom the rules provided for in this Book apply for the year, that income or loss shall be determined having regard to the provisions of Title II."

(2) Subsection 1 applies from the taxation year 1998.

179. (1) Section 779 of the said Act, replaced by section 92 of chapter 1 of the statutes of 1995, by section 178 of chapter 49 of the statutes of 1995, by section 93 of chapter 63 of the statutes of 1995, by section 217 of chapter 39 of the statutes of 1996 and by section 142 of chapter 14 of the statutes of 1997, is again replaced by the following section:

"**779.** Except for the purposes of sections 752.0.2, 752.0.7.1 to 752.0.10 and 752.0.11 to 752.0.13.0.1, Title VII of Book V, section 935.4 and Divisions II.13 to II.16 of Chapter III.1 of Title III of Book IX, the taxation year of the bankrupt is deemed to begin on the date of the bankruptcy and the current taxation year is deemed to end on the day immediately before the date of the bankruptcy."

(2) Subsection 1 applies from the taxation year 1997. However, where section 779 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read without reference to ", 752.0.7.1 to 752.0.10".

180. (1) Section 780 of the said Act is replaced by the following section:

"**780.** Where at any time a taxpayer is unconditionally discharged from a bankruptcy, the following rules apply:

(*a*) the taxpayer, in computing taxable income for any taxation year ending after that time, may not deduct any amount under sections 727 to 737 in respect of a loss sustained for a taxation year that had ended before that time; and

(*b*) the taxpayer, in computing tax otherwise payable for any taxation year ending after that time, may not deduct any amount under section 752.0.18.10 for tuition fees and examination fees paid in respect of a taxation year that had ended before that time."

(2) Subsection 1 applies from the taxation year 1997.

181. (1) Section 782 of the said Act is amended

(1) by replacing, in the English text of the portion before paragraph *a*, the word "bankrupt" by the word "bankruptcy";

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

"(*b*.1) section 752.0.18.10 in respect of tuition fees or examination fees paid in respect of the year;".

(2) Subsection 1 applies from the taxation year 1997.

182. (1) Section 784 of the said Act is replaced by the following section:

"**784.** An individual in bankruptcy shall file a separate fiscal return for the individual's income for any taxation year during which the individual was a bankrupt, computed as if

(*a*) the income required to be reported in respect of the year by the trustee under section 782 was not the income of the individual;

(*b*) in computing income, the individual was not entitled to deduct a loss from transactions of the bankruptcy;

(*c*) in computing taxable income, the individual was not entitled to deduct under sections 727 to 737 a loss sustained in a preceding taxation year; and

(*d*) in computing tax payable, the individual was not entitled to take into account in computing a deduction under section 752.0.18.10 any tuition fees or examination fees paid in respect of a year preceding the year in respect of which the return is filed.

An individual referred to in the first paragraph is liable to pay any tax payable under this Part by the individual for that taxation year."

(2) Subsection 1 applies from the taxation year 1997.

183. (1) Section 785.4 of the said Act, enacted by section 220 of chapter 39 of the statutes of 1996, is amended

(1) by replacing paragraph *c* of the definition of "qualifying exchange" by the following paragraph:

"(*c*) the funds make a valid election under paragraph *c* of the definition of "qualifying exchange" in subsection 2 of section 132.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the transfer.";

(2) by adding the following paragraph:

"Where this Title applies in respect of a transfer, the prescribed form along with a copy of every document sent to the Minister of National Revenue in respect of the transfer, in connection with the election referred to in paragraph *c* of the definition of "qualifying exchange" in the first paragraph, shall be sent to the Minister on or before the later of the last day of the six-month period following the end of the taxation year of the transferor in which the transfer was made and the last day of the two-month period following the end of that taxation year of the transferee."

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

184. (1) Section 785.5 of the said Act, enacted by section 220 of chapter 39 of the statutes of 1996, is amended

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

"(*c*) the proceeds of disposition of the property to the transferor and the cost of the property to the transferee are deemed to be equal to the amount described in the first paragraph of section 785.6;";

(2) by striking out paragraph *e*;

(3) by replacing, in subparagraph 2 of subparagraph ii of paragraph *f*, the words "election in respect of the qualifying exchange" by the words "prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.4".

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

185. (1) The said Act is amended by inserting, after section 785.5, enacted by section 220 of chapter 39 of the statutes of 1996, the following section:

"**785.6.** The amount to which paragraph *c* of section 785.5 refers is

(*a*) the amount established as proceeds of disposition of the property to the transferor and the cost of the property to the transferee under paragraph *c* of subsection 1 of section 132.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), except where subparagraph *b* applies;

(*b*) subject to the third paragraph and where the conditions set out in the second paragraph are met, the lessor of

i. the fair market value of the property at the transfer time, and

ii. the greatest of

(1) the cost amount to the transferor of the property at the transfer time or, where the property is depreciable property, the lesser of its capital cost and its cost amount to the transferor immediately before the transfer time,

(2) the amount agreed on jointly by the funds in respect of the property in the prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.4, and

(3) the fair market value at the transfer time of the consideration, other than units of the transferee, received by the transferor for the disposition of the property.

The conditions referred to in subparagraph *b* of the first paragraph require that, for the transferor and for the transferee,

(*a*) in the case of an individual, the individual must be resident in Québec at the end of the individual's taxation year in which the transfer is made and, if the second paragraph of section 22 applies to the individual for that year, the proportion applicable in respect of the individual in that second paragraph for that year must be not less than 9/10;

(*b*) in the case of a corporation, the proportion that the business carried on by the corporation in Québec is of the aggregate of the business carried on in Canada or Québec and elsewhere established by the regulations made under section 771 for its taxation year in which the transfer is made, must be not less than 9/10.

However, subparagraph *b* of the first paragraph applies in respect of property where the amount that would be, were that subparagraph *b* not to apply, referred to in respect of the property in subparagraph *a* of the first paragraph, exceeds the amount determined in its respect in that subparagraph *b*, only if all or substantially all of the difference is justified by an amount by which the cost amount of the property to the transferor, immediately before the disposition, for the purposes of Part I of the Income Tax Act exceeds the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

Where two or more depreciable properties of a prescribed class are disposed of by the transferor to the transferee in the same qualifying exchange, subparagraph *b* of the first paragraph applies as if each property so disposed of had been separately disposed of in the order designated by the transferor in the prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.5 or, if the transferor does not so designate any such order, in the order designated by the Minister."

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

186. (1) Section 832.3 of the said Act, amended by section 228 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 143 of chapter 31 of the statutes of 1997, is again amended

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

"(*d*) the transferor and the transferee have made a valid election under paragraph *d* of subsection 11.5 of section 138 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the transfer.";

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

"Where the rules under the second paragraph apply in respect of a transfer, the prescribed form along with a copy of every document sent to the Minister of National Revenue in respect of the transfer, in connection with the election referred to in subparagraph *d* of the first paragraph, shall be sent to the Minister on or before the earliest of the filing-due dates of the transferor and the transferee for the taxation year in which the transactions to which the election relates occurred."

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

187. (1) Section 832.9 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997 and by section 143 of chapter 31 of the statutes of 1997, is again amended

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

"(*d*) the transferor and the transferee have made a valid election under paragraph *d* of subsection 11.94 of section 138 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the transfer.";

(2) by adding the following paragraph:

"In addition, where the first paragraph applies in respect of the transfer referred to in subparagraph *b* of that paragraph, the prescribed form along with a copy of every document sent to the Minister of National Revenue in respect of the transfer, in connection with the election referred to in subparagraph *d* of the first paragraph, shall be sent to the Minister on or before the earliest of the filing-due dates of the transferor and the transferee for the taxation year in which the transactions to which the election relates occurred."

(2) Subsection 1 applies in respect of transfers made after 25 March 1997.

188. (1) Section 886 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**886.** For the purposes of sections 885 and 888, where a beneficiary under a deferred profit sharing plan receives, in a taxation year and when the beneficiary is resident in Canada, from a trustee under the plan, on the beneficiary's withdrawal from the plan or retirement from employment or on the death of an employee or former employee, a single payment that includes shares of the capital stock of a corporation that is an employer who contributes to the plan or shares of the capital stock of a corporation with which the employer does not deal at arm's length and the beneficiary makes a valid election under subsection 10.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the payment, the amount determined for the year under this section in relation to the plan and in respect of the beneficiary is equal to the amount by which the fair market value of those shares, immediately before the single payment is made, exceeds the cost amount to the plan of those shares at that time."

(2) Subsection 1 applies in respect of payments received after 25 March 1997.

189. (1) Section 888 of the said Act is amended by replacing, in the English text of the portion before paragraph *a*, the words "an election under" by the words "the election referred to in".

(2) Subsection 1 applies in respect of payments made after 25 March 1997.

190. (1) Section 888.1 of the said Act is amended by replacing the words "an election under" by the words "the election referred to in".

(2) Subsection 1 applies in respect of shares included in a payment received after 25 March 1997.

191. Section 943 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended, in the French text, by replacing the second paragraph by the following paragraph:

"Si un logement au Canada est la propriété d'une coopérative d'habitation, l'expression « logement de propriétaire occupant » comprend aussi une part du capital social de cette coopérative dont le particulier est propriétaire seul ou conjointement avec une autre personne dans une année d'imposition ou dans les 60 jours qui suivent, s'il a acquis cette part dans le seul but d'acquérir le droit d'habiter le logement et s'il habite celui-ci à un moment quelconque de cette année ou de ces 60 jours."

192. Sections 943.1 and 943.2 of the said Act are repealed.

193. (1) Section 965.1 of the said Act, amended by section 97 of chapter 1 of the statutes of 1995, by section 99 of chapter 63 of the statutes of 1995, by section 246 of chapter 39 of the statutes of 1996 and by section 43 of chapter 3 of the statutes of 1997, is again amended

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

"(*b*) "qualifying share" means a share that is not referred to in any of sections 965.9.4, 965.9.7.0.1 and 965.9.7.0.3 to 965.9.7.0.6 and meeting the requirements of any of sections 965.7, 965.9, 965.9.1, 965.9.1.0.0.1, 965.9.1.0.1 to 965.9.1.0.6 and 965.9.1.1 and, with the necessary modifications, a fraction of such a share not reimbursed;";

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

"(*j*) "total income" in respect of an individual for a year means the amount by which the individual's income for the year that would be determined under section 28 but for paragraphs *k*.1 to *k*.5 of section 311, section 311.1 where that section applies to a social assistance payment that was not received under the Act respecting income security (chapter S-3.1.1) or any other Act of a province or paragraph *a* of section 317 where that paragraph refers to a supplement or a spouse's allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or to a payment similar to such a supplement or spouse's allowance made under an Act of a province, exceeds the amount the individual deducts for the year in computing taxable income under Titles VI.5 and VI.5.1 of Book IV;".

(2) Paragraph 1 of subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1997. However, where paragraph *j* of section 965.1 of the said Act, enacted by that paragraph 2, applies to the taxation year 1997, it shall be read as follows:

"(*j*) "total income" in respect of an individual for a year means the amount by which the individual's income for the year that would be determined under section 28 but for paragraphs *k*.1 to *k*.5 of section 311, section 311.1 and paragraph *a* of section 317 where that paragraph refers to a supplement or a spouse's allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or to a payment similar to such a supplement or spouse's allowance made under an Act of a province, exceeds the amount the individual deducts for the year in computing taxable income under Titles VI.5 and VI.5.1 of Book IV;".

194. (1) The said Act is amended by inserting, after section 965.5, the following section:

"**965.5.1.** For the purposes of this Title and sections 1049.2.6 and 1049.2.7.1 to 1049.2.7.3, where a qualifying non-guaranteed convertible security, issued as part of a non-guaranteed convertible security issue, or a preferred share referred to in paragraph *b* of section 965.9.1.0.5, issued as part of a public share issue, is redeemed or repaid by the issuing corporation and the consideration received by the holder consists of shares identical in relation to the number and to the terms, conditions, rights and other characteristics attaching thereto, to the shares the individual would have obtained had the individual exercised the conversion right conferred by that qualifying non-guaranteed convertible security or preferred share, as the case may be, the qualifying non-guaranteed convertible security or preferred share is deemed to be converted into one or more such identical shares and each such share is deemed to have been acquired by the holder as a result of the exercise of the conversion right conferred on the holder of the qualifying non-guaranteed convertible security or the preferred share, as the case may be."

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

195. (1) Section 965.6 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended

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

"(*b*.1) 125% in the case of a qualifying share of a corporation described in section 965.11.7.1 acquired by the purchaser and issued before 15 May 1992 as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 11 November 1986, and 150% in the case of such a share issued after 14 May 1992, other than a share referred to in paragraph *b*.2;";

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

"(*b*.2) 75% in the case of a qualifying share of a corporation described in section 965.11.7.1 that is

i. a preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 and is issued as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997, or

ii. a common share with voting rights acquired as a result of the exercise of a conversion right conferred on the holder of a qualifying share that is a preferred share referred to in subparagraph i;";

(3) by replacing paragraph *c*.7 by the following paragraph:

"(*c*.7) 75% in the case of a qualifying share that is a common share with voting rights issued by a corporation, other than a growth corporation, whose assets are under $1,000,000,000 and that is not a share referred to in one of paragraphs *b*.1 and *b*.2 or in subparagraph ii of paragraph *c*.8;";

(4) by inserting, after paragraph *c*.8, the following paragraph:

"(*c*.9) 50% in the case of a qualifying share that is a common share with voting rights issued by a growth corporation as a result of the exercise of a conversion right conferred on the holder of a qualifying non-guaranteed convertible security issued as part of a non-guaranteed convertible security issue in respect of which the receipt for the final prospectus is granted after 25 March 1997;".

(2) Paragraphs 1 to 3 of subsection 1 apply in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

(3) Paragraph 4 of subsection 1 applies in respect of a non-guaranteed convertible security acquired as part of a non-guaranteed convertible security issue in respect of which the receipt for the final prospectus is granted after 25 March 1997.

196. (1) Section 965.6.0.2.0.1 of the said Act is replaced by the following section:

"**965.6.0.2.0.1.** For the purposes of section 965.6, the adjusted cost of a qualifying share acquired by an individual, an investment group or an investment fund, as a result of the exercise of a conversion right conferred on the holder of a convertible security, a qualifying non-guaranteed convertible security or a preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5, shall be computed taking into consideration that the conversion value stated in the final prospectus or in the application for an exemption from filing a prospectus with respect to the convertible security, qualifying non-guaranteed convertible security or preferred share, as the case may be, represents the cost of such share for the acquirer thereof and that the share is issued as part of a public share issue in respect of which the date of the receipt of the final prospectus or of the exemption from filing a prospectus, as the case may be, is in the year of acquisition of the share."

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

197. (1) Section 965.6.0.3 of the said Act is amended by replacing, in subparagraph i of paragraph *b*, the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the year by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 purchased in the year by the investment fund", and by replacing, in subparagraph ii of paragraph *b*, the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund in that year" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 purchased in the year by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

198. (1) Section 965.6.0.4 of the said Act, amended by section 45 of chapter 3 of the statutes of 1997, is again amended by replacing, in the first paragraph, the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the particular year by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 purchased in the particular year by the

investment fund", and by replacing, in the first paragraph, the words "by reason of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 purchased by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

199. (1) Section 965.6.23 of the said Act is amended by replacing, in paragraph *b*, the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the year by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 purchased in the year by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

200. (1) Section 965.6.23.1 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing, in paragraph *b*, the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the particular year by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 purchased in the particular year by the investment fund", and by replacing, in paragraph *c*, the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the particular year or in the year following the particular year by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.5 purchased in the particular year or in the year following the particular year by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible

security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

201. (1) The said Act is amended by inserting, after section 965.9.1.0.2, the following sections:

"**965.9.1.0.3.** A share also qualifies for a stock savings plan if

(*a*) it is a common share with voting rights issued by a growth corporation;

(*b*) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a qualifying non-guaranteed convertible security issued as part of a non-guaranteed convertible security issue;

(*c*) it meets the requirements of paragraphs *a* to *c* of section 965.9.8.2; and

(*d*) the issuing corporation states, in the final prospectus relating to the non-guaranteed convertible security issue mentioned in paragraph *b*, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title.

"**965.9.1.0.4.** A share also qualifies for a stock savings plan if

(*a*) it is a common share with voting rights issued by a growth corporation;

(*b*) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a particular qualifying non-guaranteed convertible security issued, as a result of a transaction referred to in section 536, 541 or 544, in replacement for a qualifying non-guaranteed convertible security which was outstanding at the time of such transaction and which, were it not for such replacement, could have been converted into a qualifying share described in section 965.9.1.0.3, or in replacement for such a qualifying non-guaranteed convertible security which had been issued in substitution for a non-guaranteed convertible security which, were it not for such substitution, could have been converted into a qualifying share described in this section;

(*c*) it meets the requirements of paragraphs *c* and *c*.0.1 of section 965.7 where the acquirer of the share is an investment fund, and the requirements of paragraphs *c*, *c*.0.1 and *g* of section 965.7 where the acquirer of the share is an individual or an investment group;

(*d*) under the conditions pertaining to the issue of the particular qualifying non-guaranteed convertible security, the share cannot

i. be redeemed by the issuing corporation or purchased by anyone in any manner whatever, directly or indirectly, either in whole or in part,

ii. be the subject of a transaction that would result in rendering such a share, a share substituted for such a share, a share received through a transaction referred to in section 301, 536, 541 or 544 in respect of any such shares or a substituted share redeemable by the issuing corporation or purchasable by anyone, in any manner whatever, directly or indirectly, either in whole or in part, or in transferring property of the issuing corporation, other than a dividend, to the shareholder, or

iii. entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation;

(*e*) the growth corporation states, in the final prospectus in respect of the replacement of the particular qualifying non-guaranteed convertible security, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title;

(*f*) it is a share of a class of the capital stock of the growth corporation having shares of the same class of its capital stock which, immediately after the transaction referred to in paragraph *b*, are listed on the Montréal Stock Exchange; and

(*g*) before the transaction referred to in paragraph *b*, it was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this Title.

"**965.9.1.0.5.** A share also qualifies for a stock savings plan if it is issued by a corporation described in section 965.11.7.1 and is either

(*a*) a common share with voting rights which

i. is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a preferred share that met the requirements of paragraph *b*,

ii. meets the requirements of paragraphs *c* and *c*.0.1 of section 965.7 where the acquirer of the share is an investment fund, and the requirements of paragraphs *c*, *c*.0.1 and *g* of section 965.7 where the acquirer of the share is an individual or an investment group,

iii. under the conditions pertaining to the issue of the preferred share referred to in subparagraph i, the share cannot

(1) be redeemed by the issuing corporation or purchased by anyone in any manner whatever, directly or indirectly, either in whole or in part,

(2) be the subject of a transaction that would result in rendering such a share, a share substituted for such a share, a share received through a transaction referred to in section 301, 536, 541 or 544 in respect of any such shares or a substituted share redeemable by the issuing corporation or purchasable by anyone, in any manner whatever, directly or indirectly, either in whole or in part, or in transferring property of the issuing corporation, other than a dividend, to the shareholder, or

(3) entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation,

iv. the issuing corporation states, in the final prospectus or the application for an exemption from filing a prospectus relating to the public share issue as part of which the preferred share referred to in subparagraph i was issued, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title,

v. before the receipt for the final prospectus or the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iv has been obtained, it was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this Title, and

vi. on the date of the receipt for the final prospectus or the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iv, it is a share of a class listed on the Montréal Stock Exchange; or

(*b*) a preferred share that is a non-guaranteed preferred share issued as part of a public share issue by the corporation which

i. subject to section 965.9.1.0.8, would meet the requirements of paragraphs *c* to *f* of section 965.7, where its acquirer is an investment fund, and the requirements of paragraphs *c* to *g* of the said section 965.7, where its acquirer is an individual or an investment group,

ii. is convertible into a common share with voting rights meeting the requirements of paragraph *a*, and

iii. is of a separate class relating to the public share issue.

"**965.9.1.0.6.** A common share with voting rights issued by a corporation described in section 965.11.7.1 also qualifies for a stock savings plan if

(*a*) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a

particular preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.5 and issued, as a result of a transaction referred to in section 536, 541 or 544, in replacement for such a preferred share which was outstanding at the time of such transaction or in replacement for such a preferred share which had been issued in substitution for a preferred share which, were it not for such substitution, could have been converted into a qualifying share described in this section;

(*b*) it meets the requirements of paragraphs *c* and *c*.0.1 of section 965.7 where the acquirer of the share is an investment fund, and the requirements of paragraphs *c*, *c*.0.1 and *g* of section 965.7 where the acquirer of the share is an individual or an investment group;

(*c*) under the conditions pertaining to the issue of the particular preferred share, the share cannot

i. be redeemed by the issuing corporation or purchased by anyone in any manner whatever, directly or indirectly, either in whole or in part,

ii. be the subject of a transaction that would result in rendering such a share, a share substituted for such a share, a share received through a transaction referred to in section 301, 536, 541 or 544 in respect of any such shares or a substituted share redeemable by the issuing corporation or purchasable by anyone, in any manner whatever, directly or indirectly, either in whole or in part, or in transferring property of the issuing corporation, other than a dividend, to the shareholder, or

iii. entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation;

(*d*) the issuing corporation states, in the final prospectus or the application for an exemption from filing a prospectus in respect of the replacement of the particular preferred share, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title;

(*e*) it is a share of a class of the capital stock of the corporation having shares of the same class which, immediately after the transaction referred to in paragraph *a*, are listed on the Montréal Stock Exchange; and

(*f*) before the transaction referred to in paragraph *a*, it was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this Title.

"**965.9.1.0.7.** For the purposes of subparagraph i of paragraph *b* of section 965.9.1.0.5 where that subparagraph refers to paragraph *c* of

section 965.7, a preferred share that would, were it not for this section, be a qualifying share by reason of the fact that it would meet the requirements of the said paragraph *b* if the conditions pertaining to its issue did not contain, except in the case provided for in section 965.9.1.0.8, a stipulation to the effect that it is purchasable or redeemable, is deemed to be a qualifying preferred share if the sole purpose of the stipulation is to meet the requirements of an Act or the regulations governing a sector of activity.

"**965.9.1.0.8.** Notwithstanding subparagraph i of paragraph *b* of section 965.9.1.0.5 where that subparagraph refers to paragraph *c* of section 965.7, a preferred share issued as part of a public share issue by a corporation described in section 965.11.7.1 may, under the conditions pertaining to its issue, be, within a period of 1,825 days commencing on the date that is 1,825 days after the date of its issue, redeemed or repaid by the issuing corporation or purchased by anyone, in any manner whatever, directly or indirectly, for any amount not less than the par value of the security."

(2) Subsection 1, where it enacts sections 965.9.1.0.3 and 965.9.1.0.4 of the said Act, applies in respect of a non-guaranteed convertible security acquired as part of a non-guaranteed convertible security issue in respect of which the receipt for the final prospectus is granted after 25 March 1997.

(3) Subsection 1, where it enacts sections 965.9.1.0.5 to 965.9.1.0.8 of the said Act, applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 25 March 1997.

202. (1) Section 965.9.8.1 of the said Act, amended by section 101 of chapter 1 of the statutes of 1995, by section 261 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 162 of chapter 14 of the statutes of 1997, is again amended by replacing paragraph *c* by the following paragraph:

"(*c*) it is acquired for money consideration by an individual, an investment group or an investment fund as first purchaser thereof, other than a dealer acting as an intermediary or as a firm underwriter;".

(2) Subsection 1 has effect from 26 March 1997.

203. (1) Section 965.11.7.1 of the said Act, amended by section 273 of chapter 39 of the statutes of 1996, by section 71 of chapter 3 of the statutes of 1997 and by section 89 of chapter 31 of the statutes of 1997, is again amended

(1) by striking out paragraph *c*;

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

"(*d*) its activities consist almost exclusively in investing its funds in a regional joint investment venture which is certified by the Minister of Industry, Trade, Science and Technology."

(2) Paragraph 1 of subsection 1 has effect from 26 March 1997.

(3) Paragraph 2 of subsection 1 applies in respect of certificates issued by the Minister of Industry, Trade, Science and Technology after 25 March 1997.

204. (1) Section 965.11.11 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**965.11.11.** For the purposes of this Title, "qualified corporation" does not include a corporation that, in the period beginning on the first day of the fifth calendar year preceding the calendar year during which it is granted a receipt for a final prospectus or an exemption from filing a prospectus in respect of a share issue, convertible security issue or non-guaranteed convertible security issue, and ending at the time the receipt or exemption is granted, makes a particular transaction consisting in the purchase or redemption, after 16 December 1986, in any manner whatever, directly or indirectly, of a share of a class of its capital stock other than a share described in section 965.11.12.

The first paragraph applies during the period referred to in the first paragraph until the corporation has, in respect of each particular transaction, made an issue of shares of its capital stock that meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares, for an amount equal to or greater than the amount of the particular transaction."

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

205. (1) Section 965.11.13 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**965.11.13.** For the purposes of this Title, "qualified corporation" does not include a corporation whose shares of a class of its capital stock are, after 16 December 1986, in the period beginning on the first day of the fifth calendar year preceding the calendar year during which it is granted a receipt for a final prospectus or an exemption from filing a prospectus in respect of a share issue, convertible security issue or non-guaranteed convertible security issue, and ending at the time the receipt or exemption is granted, the subject of a particular transaction consisting of a transaction or operation or series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the particular transaction is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.11.14.

The first paragraph applies during the period referred to in the first paragraph until the corporation has, in respect of each particular transaction and for an amount determined in section 965.11.15, made an issue of shares of its capital stock that meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares or until shares of the capital stock of the corporation have been the subject, in respect of each particular transaction, of a transaction or operation or series of transactions or operations, for an amount determined in section 965.11.15, if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the issue of shares of the capital stock of the corporation that meet the requirement of paragraph *c* of section 965.7."

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

206. (1) Section 965.11.17 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the portion before the third paragraph by the following:

"**965.11.17.** For the purposes of this Title, "qualified corporation" does not include a corporation the net shareholders' equity of which, in the period beginning on the first day of the fifth calendar year preceding the calendar year during which it is granted a receipt for a final prospectus or an exemption from filing a prospectus in respect of a share issue, convertible security issue or non-guaranteed convertible security issue, and ending at the time the receipt or exemption is granted, is modified, directly or indirectly, in any manner whatever, as a result of a particular transaction consisting of a transaction or operation or series of transactions or operations other than a transaction or operation or series of transactions or operations referred to in section 965.11.19 if, in the opinion of the Minister, it is reasonable to believe that the particular transaction is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.11.18.

The first paragraph applies during the period referred to in the first paragraph until the corporation has, in respect of each particular transaction, made an issue of shares of its capital stock which meet the requirement of paragraph *c* of section 965.7 and are not qualifying shares or until the net shareholders' equity of the corporation has been the subject, in respect of each particular transaction, of a transaction or operation or series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or series of transactions or operations is equivalent to the issue of such shares of the capital stock of the corporation, for an amount which, in the opinion of the Minister, is equal to or greater than the amount by which the net shareholders' equity was modified."

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

207. (1) Section 965.11.19.1 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the portion before paragraph *a* by the following:

"**965.11.19.1.** For the purposes of this Title, a corporation that has made a particular transaction referred to in the first paragraph of section 965.11.11, 965.11.13 or 965.11.17, is not required to meet the requirement set out in the second paragraph of section 965.11.11, 965.11.13 or 965.11.17, where applicable, in respect of the particular transaction if the aggregate of the amounts by which its capital stock has been reduced as a result of the particular transaction and of every other transaction consisting of a particular transaction referred to in the first paragraph of the said sections that is made during the period which begins on the three-hundred and sixty-fourth day preceding the day of the particular transaction and ends immediately before the particular transaction is made is less than 5% of the amount, determined immediately before the particular transaction is made, of the paid-up capital".

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

208. (1) Section 965.11.19.2 of the said Act, amended by section 71 of chapter 63 of the statutes of 1997, is replaced by the following section:

"**965.11.19.2.** For the purposes of this Title, a corporation that plans to make a share issue, a non-guaranteed convertible security issue or a convertible security issue that can be included in a stock savings plan as qualifying shares or qualifying non-guaranteed convertible securities or that, in the case of convertible securities, may be converted into qualifying shares, no share of the capital stock of which, no convertible security and no non-guaranteed convertible security was issued with a stipulation that it could be included in a stock savings plan or was issued, as a result of a transaction referred to in section 541 or 544 other than a transaction referred to in section 555.1, in replacement or substitution for a share, non-guaranteed convertible security or convertible security issued with such a stipulation, and that makes before the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to its issue or has made a particular transaction referred to in the first paragraph of section 965.11.11, 965.11.13 or 965.11.17, is not required to meet the requirement set out in the second paragraph of section 965.11.11, 965.11.13 or 965.11.17, where applicable, in respect of the particular transaction, if the aggregate of the amounts by which its capital stock has been reduced as a result of the particular transaction and of every

other transaction consisting of a particular transaction referred to in the first paragraph of the said sections that is made during the period which begins on the three-hundred and sixty-fourth day preceding the day of the particular transaction and ends immediately before the particular transaction is made is less than 10% of the amount of the share issue, non-guaranteed convertible security issue or convertible security issue that the corporation plans to make."

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

209. (1) Section 965.22 of the said Act, amended by section 168 of chapter 14 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

"**965.22.** The splitting or replacement of a qualifying share or qualifying non-guaranteed convertible security included in a stock savings plan, as a result of a transaction referred to in any of sections 536, 541 and 544, without any consideration other than a share, where the transaction is made in respect of the qualifying share, or a non-guaranteed convertible security, where the transaction is made in respect of the qualifying non-guaranteed convertible security, does not entail the withdrawal of the qualifying share or qualifying non-guaranteed convertible security from the plan if the requirement of paragraph *g* of section 965.7 is met in relation to each share, or to each non-guaranteed convertible security, issued in respect of the qualifying share or qualifying non-guaranteed convertible security that is split or replaced if, on the date of the transaction, the assets of the issuing corporation are less than $2,500,000,000."

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

210. (1) The said Act is amended by inserting, after section 965.23, the following section:

"**965.23.0.1.** Where, as a result of a transaction provided for in section 301, a qualifying non-guaranteed convertible security included in a stock savings plan is converted into a qualifying share referred to in either of sections 965.9.1.0.3 and 965.9.1.0.4, or where a preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.5 included in a stock savings plan is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, the qualifying non-guaranteed convertible security or preferred share is deemed to be withdrawn from the stock savings

plan only when a qualifying share issued in replacement of the qualifying non-guaranteed convertible security or preferred share, as the case may be, is withdrawn from the plan."

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

211. (1) Section 965.23.1 of the said Act is amended by replacing the portion before paragraph *a* by the following:

"**965.23.1.** In the case of the splitting or replacement of a qualifying share or qualifying non-guaranteed convertible security owned by an investment fund, as a result of a transaction described in any of sections 536, 541 and 544, without any consideration other than either a share, where the transaction is made in respect of the qualifying share, or a non-guaranteed convertible security, where the transaction is made in respect of the qualifying non-guaranteed convertible security, the following rules apply:".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

212. (1) The said Act is amended by inserting, after section 965.23.1, the following section:

"**965.23.1.0.1.** Where, as a result of a transaction provided for in section 301, a qualifying non-guaranteed convertible security that is owned by an investment fund is converted into a qualifying share referred to in section 965.9.1.0.3 or 965.9.1.0.4, or a preferred share that is a qualifying share by reason of paragraph *b* of section 965.9.1.0.5 and that is owned by an investment fund is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, the following rules apply:

(*a*) each new qualifying share issued in replacement of the qualifying non-guaranteed convertible security or the preferred share is deemed to be acquired by the investment fund at the time of the conversion with the same funds as the qualifying non-guaranteed convertible security or the preferred share, as the case may be; and

(*b*) the qualifying non-guaranteed convertible security or preferred share is deemed to have been disposed of by the investment fund only when a qualifying share issued in replacement of the qualifying non-guaranteed convertible security or preferred share, as the case may be, is disposed of by the fund."

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

213. (1) Section 965.23.1.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of a non-guaranteed convertible security acquired as part of a non-guaranteed convertible security issue in respect of which the receipt for the final prospectus is granted after 25 March 1997.

214. (1) The said Act is amended by inserting, after section 965.24.1.2, the following section:

"**965.24.1.2.1.** Notwithstanding section 965.24.1, a corporation referred to in section 965.11.7.1 that makes a public share issue of preferred shares that meet the requirements of paragraph *b* of section 965.9.1.0.5 is required to take the necessary steps to have such shares listed on the Montréal Stock Exchange not later than 90 days after the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of their issue."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 25 March 1997.

215. (1) The said Act is amended by inserting, after section 965.24.1.3, the following section:

"**965.24.1.4.** A corporation referred to in section 965.11.7.1 that makes a public share issue of preferred shares that meet the requirements of paragraph *b* of section 965.9.1.0.5, which may be redeemed or repaid by the corporation or purchased by anyone in any manner whatever, under the conditions pertaining to their issue, shall, where the custody of part or the aggregate of the securities has been entrusted to a dealer under a stock savings plan, file with the Minister, at a particular time and not later than 60 days after the date on which the issue ends, the form prescribed indicating the fraction of the aggregate of the shares the custody of which has been entrusted to the dealer under the stock savings plan at that particular time.

Where the corporation fails to file the prescribed form with the Minister within the prescribed time, it is deemed to have indicated, at the end of that period, that the custody of the aggregate of the preferred shares has been entrusted to a dealer under a stock savings plan.

The presumption provided in the second paragraph shall cease to apply at the time when the corporation files the prescribed form with the Minister,

indicating the fraction of the aggregate of the preferred shares the custody of which has been entrusted to a dealer under a stock savings plan at that time."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 25 March 1997.

216. (1) Section 965.26 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**965.26.** The dealer shall ensure that every qualifying share or qualifying non-guaranteed convertible security to be included in a stock savings plan has been acquired for money consideration as part of a public share issue or non-guaranteed convertible security issue, as the case may be, or, in the case of a qualifying share, has, as a result of the exercise of the conversion right conferred on the holder of a convertible security, qualifying non-guaranteed convertible security or preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.5, issued as part of a convertible security issue, non-guaranteed convertible security issue or public share issue, been acquired by an individual or an investment group as first purchaser, other than a dealer acting as an intermediary or firm underwriter, that the certificate for the share or for the non-guaranteed convertible security has been transmitted to him directly by the issuer of the certificate or by another dealer certifying that the certificate was held, without interruption from its issue, by a dealer acting as an intermediary or firm underwriter, and that the qualified corporation that issued it has stated, in the final prospectus or in the application for an exemption from filing a prospectus relating to the share, to the non-guaranteed convertible security or to the convertible security, that the share or the non-guaranteed convertible security could be included in a stock savings plan."

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

217. (1) Section 971.2 of the said Act is amended by replacing the second paragraph by the following paragraph:

"The first paragraph does not apply where the policyholder makes a valid election under subsection 8.1 of section 148 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have that subsection not apply in respect of the transfer."

(2) Subsection 1 applies in respect of transfers of interest in a life insurance policy made after 25 March 1997.

218. (1) Section 971.3 of the said Act is amended by replacing the second paragraph by the following paragraph:

"The first paragraph does not apply where the policyholder makes a valid election under subsection 8.2 of section 148 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have that subsection not apply in respect of the transfer."

(2) Subsection 1 applies in respect of transfers or distributions of interest in a life insurance policy made after 25 March 1997.

219. (1) Section 985.25 of the said Act, amended by section 236 of chapter 49 of the statutes of 1995, by section 111 of chapter 63 of the statutes of 1995 and by section 174 of chapter 14 of the statutes of 1997, is again amended by replacing paragraphs *a* and *b* by the following paragraphs:

"(*a*) sections 710 to 714, 716, 752.0.10.1 to 752.0.10.11 and 752.0.10.12 to 752.0.10.14, Divisions I and III to VI of Chapter III.1 and Title VIII of Book IX;

"(*b*) Division V of Chapter III and sections 93.1.15 and 93.1.17 to 93.1.22 of the Act respecting the Ministère du Revenu (chapter M-31)."

(2) Subsection 1 applies from 1 January 1998.

220. (1) Section 985.35 of the said Act, enacted by section 175 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**985.35.** Sections 1063 to 1065 and Division V of Chapter III and sections 93.1.15 and 93.1.17 to 93.1.22 of the Act respecting the Ministère du Revenu (chapter M-31) apply, with the necessary modifications, to a recognized arts organization as if it were a registered charity."

(2) Subsection 1 applies from 1 January 1998.

221. (1) The heading of Book IX of Part I of the said Act is replaced by the following heading:

"RETURNS, ASSESSMENTS AND PAYMENTS".

(2) Subsection 1 applies from 1 January 1998.

222. (1) Section 1005 of the said Act is amended by striking out the words "of section 776.5.1 or".

(2) Subsection 1 has effect from 1 September 1997, except in respect of payments of

(1) a child allowance provided for in the Act respecting family assistance allowances (R.S.Q., chapter A-17) that relate to a situation before 1 August 1997;

(2) a newborn child allowance provided for in sections 8 to 12.1 of the Act respecting family assistance allowances in respect of children who, on 30 September 1997, give entitlement or have given entitlement to that allowance or in respect of children placed for adoption in a family before 1 October 1997, even where in that case the required adoption judgment has yet to be pronounced.

223. (1) Section 1007 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995, is again amended by replacing, in the first paragraph, "and sections 1000 to 1079" and "sections 1000 to 1065" respectively by ", the provisions of this Book and Chapters III.1 and III.2 of the Act respecting the Ministère du Revenu (chapter M-31)" and "this Book".

(2) Subsection 1 applies from 1 January 1998.

224. (1) Section 1010.0.1 of the said Act, replaced by section 2 of chapter 31 of the statutes of 1996, is amended by striking out, in the second paragraph, "brought under Chapter IV of the Act respecting the Ministère du Revenu (chapter M-31)".

(2) Subsection 1 applies from 1 January 1998.

225. (1) Section 1014 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995, is again amended

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

"**1014.** An assessment shall, subject to being varied or vacated on an objection, appeal or summary appeal and subject to a reassessment, be deemed to be valid and binding notwithstanding any error, defect or omission in the assessment or in any proceeding relating thereto.";

(2) by striking out the second paragraph.

(2) Subsection 1 applies from 1 January 1998.

226. (1) Section 1015.2 of the said Act is replaced by the following section:

"**1015.2.** For the purposes of section 1015, the following rules apply:

(*a*) whoever employs an individual referred to in section 42.11 is deemed to pay to the individual all the tips required to be allocated by such an employer to the individual under that section 42.11;

(*b*) where in a pay period an employee remits to the employer, pursuant to a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (chapter N-1.1), an amount referred to in paragraph 1 or in

subparagraph *a* of paragraph 2 of that section 97.3, the employer is deemed to have paid at the end of that pay period an amount of remuneration equal to four times the amount so remitted."

(2) Subsection 1 has effect from 25 March 1997. However, where section 1015.2 of the said Act, enacted by subsection 1, applies in respect of a pay period of an employer that begins before 1 January 1998, it shall be read as follows:

"**1015.2.** For the purposes of section 1015, where in a pay period an employee remits to the employer, pursuant to a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (chapter N-1.1), an amount referred to in paragraph 1 or in subparagraph *a* of paragraph 2 of that section 97.3, the employer is deemed to have paid at the end of that pay period an amount of remuneration equal to four times the amount so remitted."

227. (1) Section 1015.3 of the said Act, enacted by section 115 of chapter 63 of the statutes of 1995, is amended by replacing, in the second paragraph, the words "first mentioned in section 752.0.1" by the words "mentioned in section 776.78".

(2) Subsection 1 applies from the taxation year 1998.

228. (1) Section 1016 of the said Act, amended by section 92 of chapter 18 of the statutes of 1995, is again amended by striking out the second paragraph.

(2) Subsection 1 applies from 1 January 1998.

229. (1) Section 1026.0.2 of the said Act, enacted by section 115 of chapter 1 of the statutes of 1995, is amended by replacing paragraph *a* of the definition of "net tax owing" by the following paragraph:

"(*a*) the tax payable by the individual for the year under this Part, determined without taking into account the amounts referred to in the first paragraph of section 1044, exceeds".

(2) Subsection 1 applies from the taxation year 1998.

230. (1) Section 1028 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by striking out the words "or where it is a savings and credit union".

(2) Subsection 1 applies to taxation years that end after 30 June 1997. However, where section 1028 of the said Act, as amended by subsection 1, applies to such a taxation year that includes that date, it shall be read with the following paragraph added thereto:

"Where a corporation is, for a taxation year, a savings and credit union and its taxable income for the year or the preceding taxation year is not more than $10,000, the corporation is not required to make the payments provided for in subparagraph *a* of the first paragraph of section 1027 for the period of the year that is before 1 July 1997."

231. (1) Section 1029.0.1 of the said Act, enacted by section 178 of chapter 14 of the statutes of 1997, is amended by adding the following paragraph:

"For the purposes of this division, a corporation is deemed, for the purpose of determining whether it is associated with one or more other corporations in a taxation year, not to be associated in that year with a corporation which, in that year, is not resident and does not have any establishment in Canada."

(2) Subsection 1 is declaratory.

232. (1) Section 1029.6 of the said Act, replaced by section 117 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing "sections 1000 to 1004 and 1009 to 1079" by "the provisions of this Book, except sections 1005 to 1008, and Chapters III.1 and III.2 of the Act respecting the Ministère du Revenu (chapter M-31)".

(2) Subsection 1 applies from 1 January 1998.

233. (1) Section 1029.6.0.1 of the said Act, enacted by section 118 of chapter 1 of the statutes of 1995 and amended by section 118 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 182 of chapter 14 of the statutes of 1997, is again amended by replacing paragraphs *a* and *b* by the following paragraphs:

"(*a*) where, in respect of a particular expenditure or particular costs, an amount is, for a taxation year, deemed to have been paid to the Minister by a taxpayer under any of Divisions II to II.6.2 and II.6.5, no other amount may be deemed to have been paid to the Minister by the taxpayer, for any taxation year, under another of those divisions in respect of all or part of a cost, an expenditure or costs comprised in the particular expenditure or the particular costs; and

"(*b*) where, in respect of an amount paid or payable by a person or partnership that is, for the person or partnership, a particular expenditure or particular costs incurred within the framework of a particular contract, an amount may be deemed, for a taxation year, to have been paid to the Minister by that person or a member of that partnership, under any of Divisions II to II.6.2 and II.6.5, no other amount may be deemed to have been paid to the Minister by another taxpayer, for any taxation year, under any of those

divisions in respect of all or part of a cost, an expenditure or costs incurred in performing the particular contract or any contract derived therefrom, that may reasonably be considered to relate to the particular expenditure or particular costs."

(2) Subsection 1 has effect from 26 March 1997.

234. (1) Section 1029.8.9 of the said Act, amended by section 135 of chapter 63 of the statutes of 1995 and by section 195 of chapter 14 of the statutes of 1997, is again amended

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

"(*a*) an application for an advance ruling regarding the contract has been filed with the Ministère du Revenu on or before the ninetieth day following the date on which the contract was entered into or, where the conditions set out in the fifth paragraph in respect of the application for an advance ruling relating thereto are met, on or before the one thousand and ninety-fifth day following the date on which the contract was entered into; and";

(2) by striking out the fourth paragraph;

(3) by replacing the portion of the fifth paragraph before subparagraph *c* by the following:

"The conditions to which subparagraph *a* of the third paragraph refers in respect of an application for an advance ruling regarding a university research contract or an eligible research contract entered into by a taxpayer are as follows:

(*a*) the application could not be filed, for reasons beyond the control of the taxpayer, on or before the ninetieth day following the date on which the contract was entered into;

(*b*) the application gives the reasons why it could not be filed on or before the ninetieth day following the date on which the contract was entered into; and".

(2) Subsection 1 applies in respect of applications for an advance ruling filed after 25 March 1997.

235. Section 1029.8.11 of the said Act, replaced by section 134 of chapter 1 of the statutes of 1995, amended by section 139 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, replaced by section 200 of chapter 14 of the statutes of 1997 and amended by section 143 of chapter 31 of the statutes of 1997, is again amended by striking out the fourth paragraph.

236. (1) The said Act is amended by inserting, after section 1029.8.21.3, enacted by section 145 of chapter 1 of the statutes of 1995, the following:

"DIVISION II.4.1

"CREDIT FOR THE USE OF LESS POLLUTING DRY-CLEANING TECHNOLOGY

"**1029.8.21.4.** In this division,

"acquisition costs" of an eligible taxpayer in a taxation year or of a qualified partnership in a fiscal period, in respect of qualified property, means the aggregate of the costs incurred, after 25 March 1997 and before 1 January 2002, by the taxpayer in the year or by the partnership in the fiscal period, as the case may be, to acquire the property and that are included in the capital cost of the property, except for an amount incurred with a person or partnership where any of the following persons does not deal at arm's length with that person or with a member of that partnership, as the case may be:

(*a*) the eligible taxpayer or a member of the qualified partnership, as the case may be;

(*b*) where the eligible taxpayer is a corporation, a specified shareholder or a specified member of the corporation; or

(*c*) a specified shareholder or a specified member of a corporation that is a member of the qualified partnership;

"eligible taxpayer", for a taxation year, means a taxpayer who, in that year, operates a dry-cleaning business in Québec and who is

(*a*) an individual who is resident in Québec at the end of the year, other than a trust one of the capital or income beneficiaries of which is a corporation referred to in subparagraphs i and ii of paragraph *b* or a person exempt from tax under Book VIII; or

(*b*) a corporation that has an establishment in Québec in the year and that is not

i. a corporation that is exempt from tax for the year under Book VIII, or

ii. a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception under the second paragraph of that section 985 and if the latter section 985 were read with the following paragraph inserted after the second paragraph:

"A subsidiary wholly-owned corporation of a corporation that is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.";

"government assistance" means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

"non-government assistance" means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof;

"qualified partnership", for a fiscal period, means a partnership that, in that fiscal period, operates a dry-cleaning business in Québec and has an establishment in Québec;

"qualified property" of an eligible taxpayer or a qualified partnership, as the case may be, means property described in the second paragraph or property acquired by the taxpayer or the partnership, under the terms of a written contract entered into after 25 March 1997, as replacement for another property of the taxpayer or partnership that uses perchloroethylene and is used to earn income from a dry-cleaning business operated by the taxpayer or partnership, where

(*a*) a validation certificate in respect of the acquired property has been issued to the taxpayer or the partnership, as the case may be, by the Minister of the Environment and Wildlife certifying that the property allows the taxpayer or the partnership to change to less polluting technology and that it does not use perchloroethylene or that it uses less perchloroethylene than the replaced property;

(*b*) the eligible taxpayer or the qualified partnership, as the case may be, begins, within a reasonable time after acquiring the qualified property, to use the property exclusively or almost exclusively to earn income from a dry-cleaning business operated by the taxpayer or the partnership; and

(*c*) where the property had, prior to its acquisition by the eligible taxpayer or the qualified partnership, been used or acquired to be used or leased, the date on which the property was manufactured does not precede by more than five years the date of its acquisition by the taxpayer or the partnership;

"specified member" of a corporation that is a cooperative, in a taxation year, means a member having, directly or indirectly, at any time in the year, at least 10% of the votes at a meeting of the members of the cooperative.

For the purposes of the definition of "qualified property" in the first paragraph, where an eligible taxpayer or a qualified partnership acquires, under the terms of a written contract, property leased to the taxpayer or the partnership immediately before the acquisition, the property is qualified property of the taxpayer or the partnership, as the case may be, where

(*a*) the leasing of the property to the taxpayer or the partnership, as the case may be, begins after 25 March 1997 under the terms of a written contract entered into after that date;

(*b*) the leased property replaces, at the time the leasing begins, another property of the taxpayer or partnership that uses perchloroethylene and is used to earn income from a dry-cleaning business operated by the taxpayer or partnership;

(*c*) a validation certificate in respect of the property has been issued to the taxpayer or the partnership, as the case may be, by the Minister of the Environment and Wildlife certifying that the property allows the taxpayer or the partnership to change to less polluting technology and that it does not use perchloroethylene or that it uses less perchloroethylene than the replaced property;

(*d*) the eligible taxpayer or the qualified partnership, as the case may be, begins, within a reasonable time after leasing the property, to use the property exclusively or almost exclusively to earn income from a dry-cleaning business operated by the taxpayer or the partnership; and

(*e*) where the property had, prior to its acquisition by the eligible taxpayer or the qualified partnership, been used or acquired to be used or leased, the date on which the property was manufactured does not precede by more than five years the date of its acquisition by the taxpayer or the partnership.

"**1029.8.21.5.** An eligible taxpayer who, in a taxation year, incurs acquisition costs in respect of qualified property is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for the year, as partial payment of tax payable for that year under this Part, an amount equal to the amount obtained by applying to the acquisition costs the appropriate percentage determined under section 1029.8.21.7 for that year, in respect of the qualified property, if the taxpayer encloses a copy of the validation certificate issued by the Minister of the Environment and Wildlife, in respect of the qualified property, and the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for the year under section 1000.

In addition, for the purpose of computing the payments that a taxpayer referred to in the first paragraph, other than a taxpayer that is a large corporation within the meaning of section 1029.6.0.2, is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of tax payable for the year under this Part and tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment.

"**1029.8.21.6.** Where a qualified partnership incurs, during a fiscal period, acquisition costs in respect of qualified property, each eligible taxpayer who is a member of that partnership at the end of the fiscal period is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for the taxation year in which the fiscal period ends, as partial payment of tax payable for the year under this Part, an amount equal to the amount obtained by applying to the taxpayer's share of the acquisition costs the appropriate percentage determined in section 1029.8.21.7 for that year, in respect of the qualified property, if the taxpayer encloses a copy of the validation certificate issued by the Minister of the Environment and Wildlife to the partnership in respect of the qualified property and the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for that taxation year.

For the purpose of computing the payments that a taxpayer referred to in the first paragraph, other than a taxpayer that is a large corporation within the meaning of section 1029.6.0.2, is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for the taxpayer's taxation year in which the fiscal period of the qualified partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of tax payable for the year under this Part and tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on which the fiscal period ends where that date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of that fiscal period which is the date on or before which the taxpayer is required to make such a payment, the amount determined for the year in respect of the taxpayer under the first paragraph.

For the purposes of the first paragraph, a taxpayer's share of the acquisition costs incurred in a fiscal period by a qualified partnership of which the taxpayer is a member is equal to such proportion of those costs as the share of the taxpayer of the income or loss of the partnership for the fiscal period is of the income or loss of that partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000.

"**1029.8.21.7.** The percentage to which the first paragraph of sections 1029.8.21.5 and 1029.8.21.6 refers for the taxation year referred to therein is

(*a*) where the qualified property referred to therein does not use perchloroethylene, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or taxation year referred to in the second paragraph,

i. less than $250,000, 40%, or

ii. equal to or greater than $250,000, 30%; or

(*b*) where the qualified property referred to therein uses less perchloroethylene than the property it replaces, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or the taxation year referred to in the second paragraph,

i. less than $250,000, 30%, or

ii. equal to or greater than $250,000, 20%.

For the purposes of subparagraphs *a* and *b* of the first paragraph, the fiscal period or taxation year referred to therein is

(*a*) where the qualified property was acquired by an eligible taxpayer, the taxation year preceding the taxation year in which the taxpayer incurs the acquisition costs in respect of the qualified property; or

(*b*) where the qualified property was acquired by a qualified partnership, the fiscal period in which the partnership incurs the acquisition costs in respect of the qualified property.

"**1029.8.21.8.** Notwithstanding section 1029.8.21.5, no amount may, in relation to qualified property, be deemed to have been paid to the Minister by an eligible taxpayer for a taxation year, in respect of acquisition costs incurred by the taxpayer in that year in respect of the property, where

(*a*) the validation certificate issued to the taxpayer in respect of the property is revoked on or before the taxpayer's filing-due date for that year; or

(*b*) at any time before the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the taxpayer and the taxpayer's filing-due date for that taxation year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a dry-cleaning business operated by

i. the eligible taxpayer, and that time is also during the portion of that period during which the taxpayer owns the property, or

ii. a person who acquired the property from the eligible taxpayer in any of the circumstances described in section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), and that time is also during the portion of that period during which the person owns the property.

"**1029.8.21.9.** Notwithstanding section 1029.8.21.6, no amount may, in relation to qualified property, be deemed to have been paid to the Minister

by an eligible taxpayer for a taxation year, in respect of the taxpayer's share of the acquisition costs incurred by the qualified partnership of which the taxpayer is a member, in its fiscal period ending in that year in respect of the property, where

(*a*) the validation certificate issued to the partnership in respect of the property is revoked on or before the date that is six months after the end of the partnership's fiscal period; or

(*b*) at any time before the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the partnership and the day that is six months after the end of the partnership's fiscal period, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a dry-cleaning business operated by

i. the qualified partnership, and that time is also during the portion of that period during which the partnership owns the property, or

ii. a person who acquired the property from the qualified partnership in any of the circumstances described in section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), and that time is also during the portion of that period during which the person owns the property.

"**1029.8.21.10.** For the purpose of computing the amount deemed to have been paid to the Minister, for a taxation year, by a taxpayer under section 1029.8.21.5 or 1029.8.21.6, the following rules apply:

(*a*) the amount of the acquisition costs referred to in section 1029.8.21.5 shall be reduced by the amount of any government assistance or non-government assistance attributable to those costs, that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the taxpayer's filing-due date for that year; and

(*b*) the share of a taxpayer who is a member of a partnership of the amount of the acquisition costs referred to in section 1029.8.21.6 shall be reduced, where applicable,

i. by the taxpayer's share of the amount of any government assistance or non-government assistance, attributable to those costs, that the partnership has received, is entitled to receive or may reasonably expect to receive, not later than six months after the end of the partnership's fiscal period in which the acquisition costs were incurred, or

ii. by the amount of any government assistance or non-government assistance, attributable to those costs, that the taxpayer has received, is entitled to receive or may reasonably expect to receive, not later than six months after

the end of the partnership's fiscal period in which the acquisition costs were incurred.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the taxpayer's share of an amount of government assistance or non-government assistance that the partnership has received, is entitled to receive or may reasonably expect to receive, is equal to such proportion of that amount as the share of the taxpayer of the income or loss of the partnership for the fiscal period of the partnership ending in the partnership's taxation year is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000.

"**1029.8.21.11.** Where, at a particular time before 1 January 2003, an eligible taxpayer or a qualified partnership pays, pursuant to a legal obligation to do so, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that has reduced, in accordance with subparagraph *a* of the first paragraph of section 1029.8.21.10 or subparagraph i of subparagraph *b* of that paragraph, particular acquisition costs incurred by the taxpayer or the share of a taxpayer who is a member of the partnership of the particular acquisition costs incurred by the partnership, as the case may be, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.21.5 or 1029.8.21.6, the following rules apply:

(*a*) the particular amount is deemed, for the purposes of sections 1029.8.21.5 and 1029.8.21.6, to be acquisition costs referred to therein that were incurred by the taxpayer or the partnership, as the case may be, at the particular time; and

(*b*) the amount that the eligible taxpayer is deemed to have paid to the Minister under those sections

i. is deemed

(1) where the particular acquisition costs were incurred by the taxpayer, to be equal to the amount that, were it not for the assistance, would have been deemed to have been paid to the Minister by the taxpayer under section 1029.8.21.5 in respect of that portion of the particular acquisition costs corresponding to the assistance so repaid, or

(2) where the particular acquisition costs were incurred by the partnership, to be equal to the amount that, were it not for the assistance and if the taxpayer's share of the partnership's income or loss were the same as the share determined at the end of the partnership's fiscal period including the particular time, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000, would have been deemed to have been paid to the Minister by the taxpayer under section 1029.8.21.6 in respect of that portion of the particular acquisition costs corresponding to the assistance so repaid, and

ii. is deemed to have been paid to the Minister under the same section as that under which, but for the assistance, the taxpayer would have been deemed to have paid an amount to the Minister in respect of that portion of the particular acquisition costs incurred by the taxpayer or the taxpayer's share of the particular acquisition costs incurred by the partnership, as the case may be, corresponding to the assistance so repaid.

"**1029.8.21.12.** Where, at a particular time before 1 January 2003, an eligible taxpayer who is a member of a qualified partnership pays, pursuant to a legal obligation to do so, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that has reduced, in accordance with subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.21.10, the taxpayer's share of the acquisition costs incurred by the partnership for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.21.6, the following rules apply:

(*a*) the particular amount is deemed, for the purposes of that section 1029.8.21.6, to be the taxpayer's share of the acquisition costs incurred at the particular time by the partnership; and

(*b*) the amount that the eligible taxpayer is deemed to have paid to the Minister under that section is deemed

i. to be equal to the amount that, but for the assistance, would have been deemed to have been paid to the Minister by the taxpayer under section 1029.8.21.6 in respect of that portion of the taxpayer's share of the particular acquisition costs corresponding to the assistance so repaid, and

ii. to have been paid to the Minister under that section 1029.8.21.6.

"**1029.8.21.13.** For the purposes of sections 1029.8.21.11 and 1029.8.21.12, an amount of assistance is deemed to be repaid, at a particular time before 1 January 2003, by an eligible taxpayer or a qualified partnership, as the case may be, pursuant to a legal obligation to do so, where that amount

(*a*) was applied, because of section 1029.8.21.10, in reduction of the amount of the acquisition costs referred to in section 1029.8.21.5 or the share of the taxpayer who is a member of the qualified partnership of the amount of the acquisition costs referred to in section 1029.8.21.6, for the purpose of computing the amount the taxpayer is deemed to have paid to the Minister for a taxation year under those sections 1029.8.21.5 and 1029.8.21.6;

(*b*) was not received by the eligible taxpayer or the qualified partnership; and

(*c*) ceased, at the particular time, to be an amount that the eligible taxpayer or the qualified partnership, as the case may be, may reasonably expect to receive.

"**1029.8.21.14.** For the purposes of this division, the acquisition costs to an eligible taxpayer or a qualified partnership in respect of qualified property shall be reduced by the amount of the consideration for the disposition of another property, or for the supply of services, to the taxpayer or a person with whom the taxpayer does not deal at arm's length, or to the partnership, one of its members or a person with whom one of its members does not deal at arm's length, except where the consideration may reasonably be considered to relate to the acquisition or installation of the qualified property or the acquisition of property resulting from work related to the installation of the qualified property or of property consumed in connection with such work.

"**1029.8.21.15.** Where, in respect of a contract entered into for the acquisition of qualified property, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage other than a benefit or advantage that may reasonably be attributed to the supply or installation of the qualified property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the amount of the acquisition costs to an eligible taxpayer or qualified partnership for a taxation year or a fiscal period, as the case may be, in respect of the qualified property shall be reduced by the amount of that benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the eligible taxpayer's filing-due date for that taxation year or not later than six months after the end of the qualified partnership's fiscal period, as the case may be.

"**1029.8.21.16.** A taxpayer may be deemed to have paid an amount to the Minister as partial payment of tax payable for a particular taxation year under section 1029.8.21.5 or 1029.8.21.6 only if the taxpayer files with the Minister the prescribed information in prescribed form and the validation certificate referred to therein on or before the day that is 12 months after the taxpayer's filing-due date for the particular year."

(2) Subsection 1 applies in respect of costs incurred after 25 March 1997.

237. (1) Section 1029.8.33.2 of the said Act, enacted by section 156 of chapter 1 of the statutes of 1995 and amended by section 163 of chapter 63 of the statutes of 1995, by section 60 of chapter 3 of the statutes of 1997 and by section 216 of chapter 14 of the statutes of 1997, is again amended, in the definition of "eligible trainee" in the first paragraph,

(1) by replacing, in paragraph *a*, the words "Régime d'apprentissage" by the words "qualification scheme";

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

"(*a*.1) an individual who is enrolled in the apprenticeship scheme established under Chapter III.1 of the Act to foster the development of manpower training

(chapter D-7.1) and administered by the Société québécoise de développement de la main-d'oeuvre, or".

(2) Subsection 1 applies in respect of expenditures made after 31 March 1997 in relation to a qualified training period that begins after that date.

238. (1) Section 1029.8.33.10 of the said Act, enacted by section 156 of chapter 1 of the statutes of 1995 and amended by section 172 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 218 of chapter 14 of the statutes of 1997, is again amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

"(*a*) where the qualified training period is served by one or more eligible trainees referred to in paragraph *a* or *a*.1 of the definition of "eligible trainee" in the first paragraph of section 1029.8.33.2, the Société québécoise de développement de la main-d'oeuvre issues to the eligible taxpayer or qualified partnership, as the case may be, an attestation certifying that the qualified training period is within the framework of the qualification scheme or the apprenticeship scheme, as the case may be, it administers;".

(2) Subsection 1 applies in respect of expenditures made after 31 March 1997 in relation to a qualified training period that begins after that date.

239. (1) The said Act is amended by inserting, after section 1029.8.33.11, enacted by section 173 of chapter 63 of the statutes of 1995, the following:

"DIVISION II.5.2

"CREDIT IN RESPECT OF TIP REPORTING

"**1029.8.33.12.** In this division,

"eligible employee", in respect of an eligible taxpayer or a qualified partnership, at any time, means an individual who is a party with the eligible taxpayer or the qualified partnership to an agreement provided for in section 97.3 of the Act respecting labour standards (chapter N-1.1) in effect at that time, and an individual referred to in the first paragraph of section 42.12;

"eligible taxpayer", for a taxation year, means a taxpayer who, during that year, is the employer of an individual who performs employment duties for an establishment;

"establishment" has the meaning assigned by section 42.6;

"qualified expenditure" that an eligible taxpayer is required to pay in respect of a taxation year or that a qualified partnership is required to pay in respect of a fiscal period means,

(*a*) unless provided for in paragraph *b*, an amount required to be paid in respect of an eligible employee by the eligible taxpayer in respect of a taxation year or by a qualified partnership in respect of a fiscal period, as the case may be, under any of the following provisions:

i. section 39.0.2 of the Act respecting labour standards,

ii. section 34 of the Act respecting the Régie de l'assurance-maladie du Québec (chapter R-5),

iii. section 52 of the Act respecting the Québec Pension Plan (chapter R-9),

iv. section 68 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23); and

(*b*) an indemnity pertaining to the annual leave as prescribed by the Act respecting labour standards or the compensation in lieu thereof provided for in a contract of employment and paid in respect of an eligible employee by the eligible taxpayer in respect of the taxation year or by the qualified partnership in respect of the fiscal period, as the case may be, and any amount required to be paid by the eligible taxpayer or by the qualified partnership under the provisions of the laws mentioned in subparagraphs ii to iv of paragraph *a* in respect of that indemnity or compensation;

"qualified partnership", for a fiscal period, means a partnership that, during the fiscal period, is the employer of an individual who performs employment duties for an establishment;

"wages" means the income computed pursuant to the provisions of Chapters I and II of Title II of Book III, except for section 43.3 and section 58.1 where the term refers to an amount to be included under sections 979.9 to 979.11 in that computation.

"**1029.8.33.13.** An eligible taxpayer who, in respect of a taxation year, is required to pay qualified expenditure and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for the year under section 1000, or would be required to file for the year under section 1000 if the taxpayer were not a registered charity and if tax were payable under this Part by the taxpayer for that year, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for that year, as partial payment of tax payable for that year under this Part, an amount equal to the aggregate of the qualified expenditure both determined in the taxpayer's respect for the taxation year in accordance with the third paragraph and paid.

For the purpose of computing the payments a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 where the latter sections refer to that subparagraph *a*, the taxpayer

is deemed to have paid to the Minister, as partial payment of the aggregate of tax payable for the year under this Part and of tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment must be made, the amount that would be determined under the first paragraph if that amount applied only to the period covered by the payment.

The qualified expenditure to which the first paragraph refers in respect of an eligible taxpayer consists of

(*a*) for each pay period ending in the taxation year and on or before the nearer of the date of the last day of the taxation year and 31 December 2000, the aggregate of all amounts payable, under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted, awarded or attributed to eligible employees during the pay period in relation to the tips received from eligible employees by the eligible taxpayer and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer during the pay period to eligible employees;

(*b*) for each pay period ending in the taxation year and on or before the nearer of the date of the last day of the taxation year and 31 December 2000, the amount payable, under the provision mentioned in subparagraph iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted or awarded to eligible employees during the pay period in relation to the tips received from eligible employees by the eligible taxpayer is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer during the pay period to eligible employees; and

(*c*) in respect of the taxation year, the aggregate of all amounts, in the proportion that the amount of salary or wages paid, allocated, granted, awarded or attributed to eligible employees during the portion of the taxation year after 24 March 1997 and before 1 January 2001 in relation to the tips received from eligible employees by the eligible taxpayer and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in the portion of the taxation year after 24 March 1997 and before 1 January 2001, representing

i. the amount payable under the provision mentioned in subparagraph i of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12,

in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the eligible taxpayer in the taxation year to eligible employees, in the proportion that the contribution the eligible taxpayer would be required to pay under section 39.0.2 of that Act in respect of eligible employees if that section applied to the portion of the taxation year after 24 March 1997 and before 1 January 2001 is of the contribution the eligible taxpayer would be required to pay under that section 39.0.2 in respect of eligible employees if that section applied to the taxation year, and

ii. the indemnity pertaining to the annual leave as prescribed by the Act respecting labour standards or the compensation in lieu thereof and provided for in a contract of employment, as the case may be, payable in relation to salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer in the taxation year to eligible employees and any amount payable under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnity or compensation, in the proportion that the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in the taxation year but after 24 March 1997 and before 1 January 2001 is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer in the taxation year to eligible employees.

"**1029.8.33.14.** Where a qualified partnership is required to pay, in respect of a fiscal period, qualified expenditure, each taxpayer who is a member of the partnership at the end of that fiscal period and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for the year under section 1000, or would be required to file for the year under section 1000 if the taxpayer were not a registered charity and if tax were payable under this Part by the taxpayer for the taxpayer's taxation year in which the partnership's fiscal period ends, is deemed, subject to the third paragraph, to have paid to the Minister on the taxpayer's balance-due day for the taxation year, as partial payment of tax payable for that year under this Part, the taxpayer's share of an amount equal to the aggregate of the qualified expenditure both determined in the qualified partnership's respect for the fiscal period in accordance with the fourth paragraph and paid.

For the purposes of the first paragraph, the share of a taxpayer of an amount is equal to the proportion of the amount that the taxpayer's share of the income or loss of the qualified partnership for the qualified partnership's fiscal period ending in its taxation year is of the income or loss of the qualified partnership for that fiscal period, on the assumption that, if the income and loss of the qualified partnership for that fiscal period are nil, the qualified partnership's income for that fiscal period is equal to $1,000,000.

For the purpose of computing the payments a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 where the latter sections refer to that subparagraph *a*, for the taxpayer's taxation year in which the fiscal period of the qualified partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of tax payable for the year under this Part and of tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on which the fiscal period ends where that date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of that fiscal period which is the date on or before which the taxpayer is required to make such a payment, the amount determined for the year in the taxpayer's respect under the first paragraph.

The qualified expenditure to which the first paragraph refers in respect of a qualified partnership consists of

(*a*) for each pay period ending in the fiscal period and on or before the nearer of the date of the last day of the fiscal period and 31 December 2000, the aggregate of all amounts payable, under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted, awarded or attributed to eligible employees during the pay period in relation to the tips received from eligible employees by the qualified partnership and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership during the pay period to eligible employees;

(*b*) for each pay period ending in the fiscal period and on or before the nearer of the date of the last day of the fiscal period and 31 December 2000, the amount payable, under the provision mentioned in subparagraph iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted or awarded to eligible employees during the pay period in relation to the tips received from eligible employees by the qualified partnership is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership during the pay period to eligible employees;

(*c*) in respect of the fiscal period, the aggregate of all amounts, in the proportion that the amount of salary or wages paid, allocated, granted, awarded or attributed to eligible employees during the portion of the fiscal period after 24 March 1997 and before 1 January 2001 in relation to the tips received from eligible employees by the qualified partnership and to the amounts attributed

by the qualified partnership under section 42.11 to eligible employees is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in the portion of the fiscal period after 24 March 1997 and before 1 January 2001, representing

i. the amount payable under the provision mentioned in subparagraph i of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the qualified partnership in the fiscal period to eligible employees, in the proportion that the contribution the qualified partnership would be required to pay under section 39.0.2 of that Act in respect of eligible employees if that section applied to the portion of the fiscal period after 24 March 1997 and before 1 January 2001 is of the contribution the qualified partnership would be required to pay under that section 39.0.2 in respect of eligible employees if that section applied to the fiscal period, and

ii. the indemnity pertaining to the annual leave as prescribed by the Act respecting labour standards or the compensation in lieu thereof and provided for in a contract of employment, as the case may be, payable in relation to salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership in the fiscal period to eligible employees and any amount payable under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnity or compensation, in the proportion that the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in the fiscal period but after 24 March 1997 and before 1 January 2001 is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership in the fiscal period to eligible employees."

(2) Subsection 1 has effect from 25 March 1997. However,

(1) where the definition of "eligible employee" in section 1029.8.33.12 of the said Act, enacted by subsection 1, applies in respect of pay periods that end before the first pay period beginning after 31 December 1997, the definition shall be read as follows:

""eligible employee", in respect of an eligible taxpayer or a qualified partnership, at any time, means an individual who is a party with the eligible taxpayer or the qualified partnership to an agreement provided for in section 97.3 of the Act respecting labour standards (chapter N-1.1) in effect at that time, and an individual in relation to the employment duties performed by the individual for an establishment where all or substantially all of the tips the individual receives or benefits from in the performance of the employment duties are derived from service charges paid by the customers of the establishment and where

(*a*) the service charges required from the customer in respect of a tippable sale are, in all or substantially all cases, equal to at least 10% of the amount of the tippable sale;

(*b*) the customers are informed of the mandatory nature of the service charges and of the percentage charged in relation to the amount of tippable sales; and

(*c*) the tip-sharing arrangement, if any, is not managed by the employees.";

(2) where section 1029.8.33.13 of the said Act, enacted by subsection 1, applies before the first pay period that begins after 31 December 1997, the third paragraph of that section shall be read as follows:

"The qualified expenditure to which the first paragraph refers in respect of an eligible taxpayer consists of

(*a*) for each pay period ending in the taxation year and on or before the nearer of the date of the last day of the taxation year and 31 December 2000, the aggregate of all amounts payable, under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted or awarded to eligible employees during the pay period in relation to the tips received from eligible employees by the eligible taxpayer is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer during the pay period to eligible employees;

(*b*) for each pay period ending in the taxation year and on or before the nearer of the date of the last day of the taxation year and 31 December 2000, the amount payable, under the provision mentioned in subparagraph iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted or awarded to eligible employees during the pay period in relation to the tips received from eligible employees by the eligible taxpayer is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer during the pay period to eligible employees; and

(*c*) in respect of the taxation year, the aggregate of all amounts, in the proportion that the amount of salary or wages paid, allocated, granted or awarded to eligible employees during the portion of the taxation year after 24 March 1997 and before 1 January 2001 in relation to the tips received from eligible employees by the eligible taxpayer is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible

taxpayer to eligible employees in the portion of the taxation year after 24 March 1997 and before 1 January 2001, representing

i. the amount payable under the provision mentioned in subparagraph i of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted or awarded by the eligible taxpayer in the taxation year to eligible employees, in the proportion that the contribution the eligible taxpayer would be required to pay under section 39.0.2 of that Act in respect of eligible employees if that section applied to the portion of the taxation year after 24 March 1997 and before 1 January 2001 is of the contribution the eligible taxpayer would be required to pay under that section 39.0.2 in respect of eligible employees if that section applied to the taxation year, and

ii. the indemnity pertaining to the annual leave as prescribed by the Act respecting labour standards or the compensation in lieu thereof and provided for in a contract of employment, as the case may be, payable in relation to salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer in the taxation year to eligible employees and any amount payable under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnity or compensation, in the proportion that the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer to eligible employees in the taxation year but after 24 March 1997 and before 1 January 2001 is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer in the taxation year to eligible employees.";

(3) where section 1029.8.33.14 of the said Act, enacted by subsection 1, applies before the first pay period that begins after 31 December 1997, the fourth paragraph of that section shall be read as follows:

"The qualified expenditure to which the first paragraph refers in respect of a qualified partnership consists of:

(*a*) for each pay period ending in the fiscal period and on or before the nearer of the date of the last day of the fiscal period and 31 December 2000, the aggregate of all amounts payable, under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted or awarded to eligible employees during the pay period in relation to the tips received from eligible employees by the qualified partnership is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership during the pay period to eligible employees;

(*b*) for each pay period ending in the fiscal period and on or before the nearer of the date of the last day of the fiscal period and 31 December 2000, the amount payable, under the provision mentioned in subparagraph iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership during the pay period to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted or awarded to eligible employees during the pay period in relation to the tips received from eligible employees by the qualified partnership is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership during the pay period to eligible employees; and

(*c*) in respect of the fiscal period, the aggregate of all amounts, in the proportion that the amount of salary or wages paid, allocated, granted or awarded to eligible employees during the portion of the fiscal period after 24 March 1997 and before 1 January 2001 in relation to the tips received from eligible employees by the qualified partnership is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership to eligible employees in the portion of the fiscal period after 24 March 1997 and before 1 January 2001, representing

i. the amount payable under the provision mentioned in subparagraph i of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted or awarded by the qualified partnership in the fiscal period to eligible employees, in the proportion that the contribution the qualified partnership would be required to pay under section 39.0.2 of the said Act in respect of eligible employees if that section applied to the portion of the fiscal period after 24 March 1997 and before 1 January 2001 is of the contribution the qualified partnership would be required to pay under that section 39.0.2 in respect of eligible employees if that section applied to the fiscal period, and

ii. the indemnity pertaining to the annual leave as prescribed by the Act respecting labour standards or the compensation in lieu thereof and provided for in a contract of employment, as the case may be, payable in relation to salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership in the fiscal period to eligible employees and any amount payable under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnity or compensation, in the proportion that the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership to eligible employees in the fiscal period but after 24 March 1997 and before 1 January 2001 is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership in the fiscal period to eligible employees."

240. (1) Section 1029.8.34 of the said Act, amended by section 174 of chapter 63 of the statutes of 1995, by section 273 of chapter 39 of the statutes of 1996, by section 61 of chapter 3 of the statutes of 1997, by section 219 of chapter 14 of the statutes of 1997 and by section 143 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing subparagraphs ii to iv of paragraph *b* of the definition of "manpower expenditure" in the first paragraph by the following subparagraphs:

"ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, a corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission or, except where, in the case of an animated film, the remuneration is in connection with the production stage paid, after 16 May 1997, in respect of film colouring, or the remuneration is in connection with the post-production stage, a corporation that does not deal at arm's length with a corporation holding such a licence, that can reasonably be attributed to the wages of the particular corporation's employees who provided services as part of the production of the property,

"iii. to a corporation having an establishment in Québec all the issued capital stock of which, except the director's qualifying shares, belongs to an individual and whose activities consist mainly in providing the services of that individual, that can reasonably be attributed to services provided by the individual as part of the production of the property, or

"iv. to a partnership carrying on a business in Québec, that can reasonably be attributed either to services provided, as part of the production of the property, by an individual who is a member of the partnership or to the wages of the partnership's employees who provided services as part of the production of the property; and";

(2) by replacing, in subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified manpower expenditure" in the first paragraph, the words "qualified corporation or of any assistance referred to" by the words "qualified corporation or of any other assistance referred to";

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

"(*d*) the amount referred to in paragraph *b* of the said definition shall be established taking into account,

i. where the film is an animated film and the remuneration is in connection with the production stage paid in respect of the colouring of property of a corporation that does not deal at arm's length with a corporation holding a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission, only the services that are provided at that stage by a person who performs the duties of assistant colourist, animation cameraman, colourist, special effects editor or inspection technician,

ii. where the remuneration relates to the post-production stage of the property, only the services that are provided at that stage by a person who performs the duties of assistant sound-effects technician, assistant colourist, assistant mixer, cutter, sound-effects technician, animation cameraman, colourist, timer, computer graphics designer, mixer, special effects editor, senior editor, sound editor, picture editor, boom operator, developing technician, inspection technician - clean up, printing technician, projectionist, encoding technician, recording technician, dubbing technician, optical effects technician, videotape operator, subtitle technician or video film recorder operator;";

(4) by inserting, after subparagraph *d* of the second paragraph, the following subparagraph:

"(*d*.1) paragraph *b* of the definition shall be read as if there were no reference, in subparagraphs ii and iii, to the words "having an establishment in Québec" and, in subparagraph iv, to the words "carrying on a business in Québec", where the property is

i. a Québec film production the main filming or taping of which began on or before 30 April 1997,

ii. an episode or broadcast that is part of a series the main filming or taping of at least one episode or one broadcast of which began on or before 30 April 1997, or

iii. an animated film the main filming or taping of which began on or before 25 March 2000;";

(5) by adding, after the fifth paragraph, the following paragraph:

"In the case of property the main filming or taping of which began after 30 April 1997, other than property that is an episode or broadcast that is part of a series the main filming or taping of at least one episode or one broadcast of which began on or before that date, the definition of "qualified manpower expenditure" in the first paragraph shall be read, in respect of that property, by replacing wherever it appears the percentage of 250% by the fraction 20/9 if the property is property referred to in paragraph *a* of section 1029.8.35.2, or by the percentage of 300% in other cases."

(2) Paragraphs 1 and 3 to 5 of subsection 1 have effect from 1 May 1997.

(3) Paragraph 2 of subsection 1 has effect from 26 March 1997.

241. (1) Section 1029.8.35 of the said Act, amended by section 50 of chapter 21 of the statutes of 1994, by section 175 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997, by section 220 of chapter 14 of the statutes of 1997 and by section 115 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in the first paragraph, the words "subject to the second paragraph" by the words "subject to the second paragraph and sections 1029.8.35.1 and 1029.8.35.2";

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

"In addition, where the property referred to in the first paragraph is a televised magazine or a variety program the main filming and taping of which began after 9 May 1995, other than a televised magazine or variety program intended for children under 13 years of age, and, in respect of that property, the corporation has received or is entitled to receive an amount of assistance, attributable to the production costs of that property which are referred to in subparagraph i of paragraph *b* of the definition of "qualified manpower expenditure" in the first paragraph of section 1029.8.34 for the year, from the Société de développement des entreprises culturelles, under production assistance programmes of the Société de développement des entreprises culturelles in force before 1 April 1996, the amount determined under the first paragraph in respect of that property for the year shall not exceed the amount by which 40% of the amount determined for the year in respect of that property under that subparagraph i exceeds the aggregate of any amount that the corporation is deemed to have paid to the Minister under this section in respect of that property for a preceding taxation year and the amount of that assistance that the corporation has received or is entitled to receive on or before the corporation's filing-due date for the year and that it has not repaid on that date pursuant to a legal obligation to do so."

(2) Paragraph 1 of subsection 1 has effect from 26 March 1997. However, where the first paragraph of section 1029.8.35 of the said Act, as amended by that paragraph, applies after 25 March 1997 but before 1 May 1997, it shall be read without reference to section 1029.8.35.2 of that Act.

(3) Paragraph 2 of subsection 1 has effect from 1 May 1997.

242. (1) The said Act is amended by inserting, after section 1029.8.35, the following sections:

"**1029.8.35.1.** The amount that a corporation is deemed to have paid to the Minister, under section 1029.8.35, as partial payment of tax payable for a taxation year under this Part in respect of property, shall not exceed, where the main filming or taping of the property began after 25 March 1997, the amount by which, where the property is an episode or a broadcast that is part of a series, the amount obtained by dividing $2,500,000 by the total number of episodes or broadcasts that are part of the series or, in the other cases, $2,500,000, exceeds the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under that section in respect of the property for a preceding taxation year.

However, the rule provided for in the first paragraph does not apply in respect of the property if the property is

(*a*) an episode or a broadcast that is part of a series the main filming or taping of at least one episode or broadcast of which began on or before 25 March 1997; or

(*b*) property in respect of which, following an application made by the corporation on or before 31 May 1997 to the Société de développement des entreprises culturelles, the Société issued an advance ruling to the effect that the project in regard to the property or series of which it is part was sufficiently advanced on 25 March 1997, and that is property that is

i. property the main filming or taping of which was completed on or before 31 December 1997, other than an episode or broadcast that is part of a series, or

ii. an episode or a broadcast that is part of a series, the main filming or taping of which was completed on or before 31 March 1998, other than an episode or a broadcast referred to in subparagraph *a*.

"**1029.8.35.2.** Where the main filming or taping of a property referred to in the first paragraph of section 1029.8.35 began after 30 April 1997, and the property is not an episode or broadcast that is part of a series the main filming or taping of at least one episode or one broadcast of which began on or before that date, the rate of 40% mentioned in that paragraph shall, in respect of the property, be replaced by a rate of

(*a*) 45% if the property is prescribed property; or

(*b*) 33 1/3% in other cases."

(2) Subsection 1, where it enacts section 1029.8.35.1 of the said Act, has effect from 26 March 1997, and where it enacts section 1029.8.35.2 of the said Act, has effect from 1 May 1997.

243. (1) The said Act is amended by inserting, after section 1029.8.36.0.3, enacted by section 221 of chapter 14 of the statutes of 1997, the following:

"DIVISION II.6.0.2

"CREDITS TO PROMOTE THE DEVELOPMENT OF INFORMATION TECHNOLOGIES

"§1. — *Interpretation and general*

"**1029.8.36.0.4.** In this division,

"acquisition costs" incurred by a corporation in respect of qualified property means the aggregate of the costs incurred by the corporation to acquire the property and that are included in the capital cost of the property;

"contract payment" means an amount payable by the Government of Canada or a provincial government, a municipality or other Canadian public authority or by a person exempt from tax under this Part by reason of Book VIII, to the extent that it may reasonably be considered that the amount payable relates to the acquisition of qualified property or the payment of qualified wages by a corporation up to the amount incurred in respect of that property or those wages by that corporation;

"eligibility period" of a corporation means the period that begins at the time the corporation's first taxation year begins and ends on the expiry of a period of three years after that time;

"eligible employee" of a corporation for part or all of a taxation year means an employee in respect of whom the corporation has obtained, on or before the corporation's filing-due date for that year, a certificate issued by the Minister of Finance stating that the employee is an eligible employee for part or all of the year;

"exempt corporation" has the meaning assigned by sections 771.12 and 771.13;

"government assistance" means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than an amount that a corporation is deemed to have paid to the Minister for a taxation year under this division;

"information technologies development centre" has the meaning assigned by section 771.1;

"non-government assistance" means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof;

"qualified property" of a corporation means depreciable property

(*a*) that, before being acquired by the corporation, had not been used for any purpose nor had been acquired to be used or leased for any purpose whatever;

(*b*) that the corporation begins to use within a reasonable time after its acquisition;

(*c*) that is used by the corporation exclusively in a building housing an information technologies development centre, and exclusively or almost exclusively to gain income from a business it carries on in such a building; and

(*d*) in respect of which the Minister of Finance has issued a certificate, not later than the corporation's filing-due date for the taxation year during which it acquired the property;

"qualified wages" paid by a corporation in a taxation year to an eligible employee means the lesser of $37,500 and the aggregate of all amounts each of which is the amount by which the wages paid by the corporation to the employee, while the employee qualifies as an eligible employee of the corporation, for a pay period ending in the eligibility period of the corporation that is comprised in whole or in part within the taxation year and that may reasonably be considered as having been paid by the corporation in connection with the carrying on of a business in a building housing an information technologies development centre, exceeds the amount of any contract payment, government assistance and non-government assistance, attributable to such wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year;

"wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of "qualified wages" in the first paragraph, the amount of $37,500 shall be replaced

(*a*) where the taxation year of the corporation has fewer than 52 weeks, by the amount obtained by multiplying $37,500 by the proportion that the number of weeks in the taxation year is of 52; and

(*b*) where the employee qualifies as an eligible employee of the corporation only for part of the taxation year of the corporation, by the amount obtained by multiplying $37,500 or the amount resulting from the application of subparagraph *a* for that year, as the case may be, by the proportion that the number of days in that part of the year during which the employee so qualifies is of the number of days in the taxation year.

"§2. — *Credits*

"**1029.8.36.0.5.** A corporation that, for a taxation year, is an exempt corporation, is deemed to have paid to the Minister on the corporation's balance-due day for that year, as partial payment of tax payable for that year under this Part, an amount equal to 40% of the qualified wages paid by it in the year to an eligible employee, if the corporation encloses the prescribed form containing prescribed information and a copy of the certificate issued to it by the Minister of Finance in respect of the eligible employee with its fiscal return it is required to file for the year under section 1000.

"**1029.8.36.0.6.** A corporation that, for a taxation year, is an exempt corporation, is deemed to have paid to the Minister on the corporation's balance-due day for that year, as partial payment of tax payable for that year under this Part, an amount equal to 40% of acquisition costs incurred by the corporation in the year in respect of the acquisition of qualified property

during the year and during its eligibility period, if the corporation encloses the prescribed form containing prescribed information and a copy of the certificate issued to it by the Minister of Finance in respect of the qualified property with its fiscal return it is required to file for the year under section 1000.

"**1029.8.36.0.7.** For the purposes of this division,

(*a*) a certificate referred to in the definition of "eligible employee" in the first paragraph of section 1029.8.36.0.4 that is revoked by the Minister of Finance is null and void from the time the revocation becomes effective;

(*b*) no amount shall be deemed to have been paid to the Minister by a corporation under section 1029.8.36.0.5 in respect of qualified wages paid in a taxation year to an employee if the certificate issued by the Minister of Finance in respect of that employee was not in force or valid at the time the wages were paid; and

(*c*) no amount shall be deemed to have been paid to the Minister by a corporation under section 1029.8.36.0.6 in respect of acquisition costs for qualified property for a taxation year, where

i. the certificate issued by the Minister of Finance in respect of the property is revoked on or before the taxpayer's filing-due date for that year, or

ii. at any time occurring before the corporation's filing-due date for that taxation year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used exclusively by the corporation in a building housing an information technologies development centre.

"**1029.8.36.0.8.** Notwithstanding any other provision of this chapter, a corporation that, for a taxation year, is an exempt corporation shall not be deemed to have paid an amount to the Minister under a provision of this chapter, other than this division and Division I, for that year if the year is comprised in whole or in part within its eligibility period.

"§3. — *Government assistance, non-government assistance, contract payments and other provisions*

"**1029.8.36.0.9.** For the purpose of computing the amount deemed to have been paid to the Minister, for a taxation year, by a corporation under section 1029.8.36.0.6, the amount of the acquisition costs referred to in that section shall be reduced by the amount of any contract payment, government assistance or non-government assistance, attributable to those costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year.

"**1029.8.36.0.10.** Where, in a taxation year, a corporation repays an amount of government assistance or non-government assistance, pursuant to a legal obligation to do so, that reduced the amount of an expenditure incurred as wages for the purpose of computing particular qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.5 for a particular taxation year, the following rules apply:

(*a*) the repayment is deemed to be qualified wages paid to an eligible employee in the taxation year and equal to the lesser of the amount of that repayment and any amount by which $37,500 or the amount determined under the second paragraph of section 1029.8.36.0.4 in relation to those qualified wages for the particular taxation year, as the case may be, exceeds the amount that would have been equal to the particular qualified wages but for that assistance; and

(*b*) for the purposes of section 1029.8.36.0.5 in respect of the qualified wages deemed under paragraph *a*,

i. the corporation is deemed to be an exempt corporation for the taxation year, and

ii. the said section 1029.8.36.0.5 shall be read without reference to the words "and a copy of the certificate issued to it by the Minister of Finance in respect of the eligible employee".

"**1029.8.36.0.11.** Where, in a taxation year, a corporation pays, pursuant to a legal obligation to do so, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that reduced, in accordance with section 1029.8.36.0.9, acquisition costs incurred by the corporation for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a preceding taxation year under section 1029.8.36.0.6, the following rules apply:

(*a*) the particular amount is deemed to be acquisition costs that were incurred by the corporation in the taxation year in respect of qualified property acquired during that year and during the corporation's eligibility period; and

(*b*) in applying section 1029.8.36.0.6 to the particular amount,

i. the corporation is deemed to be an exempt corporation for the taxation year, and

ii. the said section 1029.8.36.0.6 shall be read without reference to the words "and a copy of the certificate issued to it by the Minister of Finance in respect of the qualified property".

"**1029.8.36.0.12.** For the purposes of section 1029.8.36.0.10, an amount of assistance is deemed to be repaid by a corporation in a taxation year pursuant to a legal obligation to do so where that amount

(*a*) reduced the amount of an expenditure incurred as wages for the purpose of computing qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.5;

(*b*) was not received by the corporation; and

(*c*) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

"**1029.8.36.0.13.** For the purposes of section 1029.8.36.0.11, an amount of assistance is deemed to be repaid by a corporation in a taxation year pursuant to a legal obligation to do so where that amount

(*a*) was applied, because of section 1029.8.36.0.9, in reduction of the acquisition costs incurred by the corporation for the purpose of computing the amount the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.6;

(*b*) was not received by the corporation; and

(*c*) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

"**1029.8.36.0.14.** For the purposes of this division, the acquisition costs incurred by a corporation for qualified property shall be reduced by the amount of the consideration for services supplied to the corporation or to a person with whom the qualified corporation does not deal at arm's length, or the amount of the consideration for the disposition of other property either to the corporation or to such a person, except if the consideration may reasonably be considered to relate to the acquisition or the installation of the qualified property or the acquisition of property resulting from work related to the installation of the qualified property or of property consumed in connection with such work.

"**1029.8.36.0.15.** Where, in respect of the acquisition of qualified property, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage other than a benefit or advantage that may reasonably be attributed to the supply or installation of the qualified property, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the amount of the acquisition costs for the qualified property incurred by the corporation for a taxation year, shall be reduced by the amount of that benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the filing-due date of the corporation for that taxation year.

"**1029.8.36.0.16.** A taxpayer may be deemed to have paid an amount to the Minister as partial payment of tax payable for a particular taxation year under section 1029.8.36.0.5 or 1029.8.36.0.6, only if the taxpayer files with the Minister the prescribed information in prescribed form and the certificate referred to therein on or before the day that is 12 months after the taxpayer's filing-due date for the particular year."

(2) Subsection 1 applies in respect of wages or costs incurred after 25 March 1997.

244. (1) Section 1029.8.36.23 of the said Act, enacted by section 157 of chapter 1 of the statutes of 1995, replaced by section 189 of chapter 63 of the statutes of 1995 and amended by section 71 of chapter 3 of the statutes of 1997, is again amended

(1) by replacing, in the portion before paragraph *a*, the words "at any particular time" by the words "in any particular taxation year";

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

"i. to be qualified wages referred to in section 1029.8.36.7 for the particular taxation year, incurred by the corporation in respect of a particular designer and equal to the lesser of the amount of the repayment and the amount, if any, by which $60,000 or the amount determined under the third paragraph of section 1029.8.36.4 in relation to the qualified wages for the particular year exceeds the amount that would have been the particular qualified wages but for that assistance, and".

(2) Subsection 1 has effect from 1 January 1994.

245. (1) Section 1029.8.36.54 of the said Act, enacted by section 234 of chapter 14 of the statutes of 1997 and amended by section 143 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing the definition of "apparent payment" in the first paragraph by the following definition:

""apparent payment" means, except in section 1029.8.36.55, an amount paid or payable by a person who, under the terms of a contract with a qualified corporation, carries out work or prepares plans and specifications for the qualified corporation, where the amount is paid or payable for the use of premises, facilities or equipment, or for the provision of services, and that may reasonably be considered to be included in a qualified construction expenditure;";

(2) by replacing subparagraph *a* of the third paragraph by the following subparagraph:

"(*a*) the amount of salaries or wages incurred, of a portion of the consideration paid or of a portion of the cost of a contract incurred, as the case may be, which relates to a construction expenditure incurred by a qualified corporation for a taxation year in respect of an eligible vessel shall be reduced, where applicable, by the amount of any government assistance and non-government assistance attributable to those salaries or wages, to that portion of the consideration or to that portion of the cost of a contract, as the case may be, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before its filing-due date for that year;".

(2) Subsection 1 applies in respect of expenditures incurred after 9 May 1996.

246. (1) Section 1029.8.36.55 of the said Act, enacted by section 234 of chapter 14 of the statutes of 1997 and amended by section 143 of chapter 31 of the statutes of 1997, is again amended

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

"(*a*) the amount by which, for the qualified corporation, the portion of the cost of construction of the eligible vessel incurred at the end of the year exceeds the aggregate of all amounts each of which is government assistance, non-government assistance or an apparent payment, attributable to the cost of construction, that the qualified corporation or, in the case of an apparent payment, a person with whom or with which it is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for that year; and";

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

"For the purposes of subparagraph *a* of the second paragraph, "apparent payment" means an amount paid or payable by a person who, for the construction of an eligible vessel of a qualified corporation, carries out work or prepares plans and specifications for the qualified corporation, where the amount is paid or payable for the use of premises, facilities or equipment, or for the provision of services, and that may reasonably be considered to be included in the cost of construction of the eligible vessel."

(2) Subsection 1 applies in respect of expenditures incurred after 9 May 1996.

247. (1) The said Act is amended by inserting, after section 1029.8.36.59, enacted by section 234 of chapter 14 of the statutes of 1997, the following:

"DIVISION II.6.6

"JOB CREATION CREDIT

"§1. — *Definitions and generalities*

"**1029.8.36.60.** In this division,

"eligible contribution" to be paid for a calendar year by a taxpayer or a partnership means the aggregate of all the contributions that the taxpayer or partnership, as the case may be, is required to pay under subdivision 2 of Division I of Chapter IV of the Act respecting the Régie de l'assurance-maladie du Québec (chapter R-5) for that year, or would be required to pay for that year were section 34 of that Act read without reference to its second paragraph;

"eligible employee" of an eligible employer at a particular time in a calendar year means an employee of the eligible employer who, at that time,

(*a*) held employment with the eligible employer for a period of at least 40 weeks ending in the year and that is comprised within a period of 52 continuous weeks including that time;

(*b*) reported for work at an establishment of the eligible employer situated in Québec for each regular pay period included in whole or in part in the 40-week period referred to in paragraph *a*; and

(*c*) in connection with that employment, completed at least 26 hours of work in each of the 40 weeks referred to in paragraph *a*;

"eligible employer", in relation to an eligible employee, means an eligible taxpayer or qualified partnership from whom or from which the eligible employee receives remuneration;

"eligible taxpayer", for a calendar year, means a taxpayer who, in the year, carries on business in Québec and has an establishment in Québec and who is an individual, other than a tax-exempt individual, or a qualified corporation;

"group of associated employers", at the end of a calendar year, has the meaning assigned by section 1029.8.36.61;

"qualified corporation", for a calendar year, means a corporation all or substantially all the gross revenue of which is derived from the carrying on of a qualified business, for the taxation year of the corporation in which the calendar year ends, but does not include

(*a*) a corporation that is exempt from tax for the year under Book VIII for that taxation year, other than an insurer referred to in paragraph *k* of section 998 not so exempt from tax on the totality of its taxable income for that taxation year by reason of section 999.0.1;

(*b*) a corporation that would be exempt from tax for that taxation year under section 985 but for section 192 or for the exception provided in the second paragraph of that section 985 and if the latter section read by inserting, after the second paragraph, the following paragraph:

"A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation."; or

(*c*) a corporation all or substantially all the gross revenue of which, for that taxation year, is derived from the operation of an international financial centre;

"qualified partnership", for a calendar year, means a partnership that carries on business in Québec and has an establishment in Québec in the fiscal period of the qualified partnership in which the calendar year ends and that, if it were a corporation, would be a qualified corporation for that calendar year;

"tax-exempt individual", for a calendar year, means a trust one of the capital or income beneficiaries of which is a corporation described in any of paragraphs *a* to *d* of the definition of "qualified corporation" for the year, or a person exempt from tax under Book VIII for the taxation year of the person in which the calendar year ends.

For the purposes of the definition of "eligible employee" in the first paragraph,

(*a*) where an eligible employer hires an employee, referred to as the "new employee" in this paragraph, to replace one of the employer's employees who at any time ceases to report for work because the employee has died, is ill or has sustained an industrial injury, is benefiting from protective re-assignment or is on leave in connection with the birth or adoption of a child, and where it may reasonably be considered that the duties performed by the new employee are the same duties as those performed immediately before that time by the replaced employee, the following rules apply:

i. the new employee is deemed to have reported for work at an establishment of the eligible employer situated in Québec for each regular pay period during which the replaced employee reported for work at such an establishment before that time, and

ii. the hours worked before that time by the replaced employee in connection with the employee's employment with the eligible employer are deemed to have been worked by the new employee and not by the replaced employee;

(*b*) where the replaced employee referred to in subparagraph *a* returns to work at any time, the following rules apply:

i. the replaced employee is deemed to have reported for work at an establishment of the eligible employer situated in Québec for each regular pay period during which the new employee reported for work at such an establishment or is deemed, under subparagraph i of subparagraph *a*, to have reported for work at such an establishment before that time, and

ii. the hours worked before that time by the new employee in connection with the employee's employment with the eligible employer, or deemed to have been so worked by the new employee under subparagraph i of subparagraph *a* are deemed to have been worked by the replaced employee and not by the new employee.

For the purposes of the definition of "eligible employee" in the first paragraph, and for the purposes of the second paragraph,

(*a*) where, during a regular pay period of an employee, the employee reports for work at an establishment of the employer situated in Québec and at an establishment of the employer situated outside Québec, the employee is, for that period, deemed

i. except if subparagraph ii applies, to have reported for work only at the establishment situated in Québec, and

ii. to have reported for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at the establishment of the employer situated outside Québec; and

(*b*) where, during a regular pay period of an employee, the employee is not required to report for work at an establishment of the employer and the employee's wages or salary relating to that pay period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during the pay period are performed mainly in Québec.

"**1029.8.36.61.** A group of associated employers, at the end of a calendar year, means the group formed by all the eligible employers who, at that time, are associated with each other and, for that purpose, the following rules apply:

(*a*) the employer that is an individual, other than a trust, is deemed to be a corporation, all of the voting shares in the capital stock of which are owned at that time by the individual;

(*b*) the employer that is a partnership is deemed to be a corporation, all of the voting shares in the capital stock of which are owned at that time by each member of the partnership in a proportion equal to the proportion that

i. the member's share of the income or loss of the partnership for its fiscal period that includes that time, on the assumption that, if the income and loss of

the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000, is of

ii. the income or loss of the partnership for its fiscal period that includes that time, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000; and

(*c*) the employer that is a trust is deemed to be a corporation all of the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries, in this paragraph referred to as the "distribution date", and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) where any such beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, any discretionary power, and where that time occurs before the distribution date, are owned at that time by the beneficiary;

(2) where subparagraph 1 does not apply and where that time occurs before the distribution date, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all those beneficiaries,

ii. where a beneficiary's share of the accumulating income or capital of the trust depends upon the exercise by any person of, or the failure by any person to exercise, any discretionary power, are owned at that time by the beneficiary, except where subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion of all such shares that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, except where subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to therein from whom property of the trust or property for which it was substituted was directly or indirectly received.

"**1029.8.36.62.** Where it may reasonably be considered that one of the main reasons for the separate existence of two or more eligible employers in a calendar year is to increase the amount that an eligible taxpayer is deemed

to have paid to the Minister under this division in respect of that year, those employers are deemed, for the purposes of this division, to be members of a group of associated employers at the end of the year.

"§2. — *Credit*

"**1029.8.36.63.** A taxpayer who, for a particular calendar year after the calendar year 1996, is an eligible taxpayer whose aggregate of eligible contributions payable for the particular calendar year exceeds the aggregate of eligible contributions payable for the preceding calendar year, and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for the taxation year in which the particular calendar years ends, is deemed, subject to the second paragraph and provided that the taxpayer is not a member of a group of associated employers at the end of the particular calendar year, to have paid to the Minister on the taxpayer's balance-due day for that taxation year, as partial payment of tax payable for that taxation year under this Part, an amount equal to the lesser of

(*a*) $36,000; and

(*b*) the product obtained by multiplying $1,200 by the number by which the maximum number of the eligible taxpayer's eligible employees at any time during the particular calendar year exceeds the maximum number of the eligible taxpayer's eligible employees at any time during the preceding calendar year.

For the purpose of computing the payments that a qualified corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where the latter sections refer to that subparagraph *a*, for the qualified corporation's taxation year in which the particular calendar year ends, the qualified corporation is, except if it receives an amount pursuant to subparagraph *a* of the third paragraph in respect of the taxation year, deemed to have paid to the Minister, as partial payment of all tax payable for the taxation year under this Part and of tax payable for the taxation year under Parts IV, IV.1, VI and VI.1, on the first date following the end of that calendar year that is the date on or before which it is required to make such a payment, the amount determined for the taxation year in its respect under the first paragraph.

Subject to the fourth paragraph, where a qualified corporation referred to in the first paragraph, whose taxation year in which the particular calendar year ends on or after 1 March following the end of that calendar year, estimates, in prescribed form containing prescribed information that it files with the Minister, the amount that it is deemed to have paid to the Minister under the first paragraph, as partial payment of tax payable for that taxation year, the following rules apply:

(*a*) the Minister may, from that date, pay the estimated amount to the qualified corporation, to the extent that the amount does not exceed $36,000;

(*b*) the amount paid under subparagraph *a* is deemed to be tax payable by the qualified corporation under this Part and is added to the qualified corporation's tax otherwise payable for the taxation year under this Part;

(*c*) where the amount paid for the taxation year under subparagraph *a* exceeds the amount that the qualified corporation is deemed to have paid to the Minister under the first paragraph as partial payment of tax payable for the taxation year, the qualified corporation shall pay interest at the rate fixed by section 28 of the Act respecting the Ministère du Revenu (chapter M-31) on the difference between the two amounts, for the period extending from the day on which the amount is paid until the earlier of the day on which the excess amount is paid and the day on which the qualified corporation becomes liable for interest under section 1037; and

(*d*) for the purposes of the first paragraph, the qualified corporation is deemed to have enclosed with the fiscal return it is required to file for the taxation year referred to in that paragraph, the prescribed form containing prescribed information required under the first paragraph.

The third paragraph does not apply to a corporation that

(*a*) is liable to the Government for an amount under a fiscal law, within the meaning of section 1 of the Act respecting the Ministère du Revenu;

(*b*) has failed to file a fiscal return under section 1000 for a preceding taxation year;

(*c*) is a bankrupt at any time during the taxation year; or

(*d*) reduces, pursuant to the second paragraph, the payments it is required to make for a period in the taxation year.

"**1029.8.36.64.** Where the aggregate of eligible contributions payable for a particular calendar year after the calendar year 1996 by a qualified partnership for the particular calendar year exceeds the aggregate of eligible contributions payable by that partnership for the preceding calendar year, each eligible taxpayer for the particular calendar year who is a member of the partnership at the end of the fiscal period of the partnership in which the particular calendar year ends, and who encloses a prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for the taxation year in which the fiscal period of the partnership ends, is deemed, subject to the second paragraph and provided that the qualified partnership is not a member of a group of associated employers at the end of the particular calendar year, to have paid to the Minister on the taxpayer's balance-due day for that taxation year, as partial payment of tax payable for that taxation year under this Part, an amount equal to the lesser of

(*a*) the taxpayer's share of $36,000;

(*b*) the taxpayer's share of the product obtained by multiplying $1,200 by the number by which the maximum number of the qualified partnership's eligible employees at any time during the particular calendar year exceeds the maximum number of the qualified partnership's eligible employees at any time during the preceding calendar year; and

(*c*) the amount by which $36,000 exceeds the aggregate of all amounts each of which is an amount that the eligible taxpayer is deemed to have paid to the Minister in respect of the particular calendar year under this section, in relation to the taxpayer's interest in another qualified partnership, or under any of sections 1029.8.36.63, 1029.8.36.65 and 1029.8.36.66.

For the purpose of computing the payments that a qualified corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where the latter sections refer to that subparagraph *a*, for the qualified corporation's taxation year in which the fiscal period of the qualified partnership ends, the qualified corporation is deemed to have paid to the Minister, as partial payment of tax payable for the year under this Part and of tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on which that fiscal period ends where that date coincides with the date on or before which it is required to make such a payment or, in other cases, on the first date following the end of that fiscal period which is the date on or before which it is required to make such a payment, the amount determined for the year in its respect under the first paragraph.

For the purposes of the first paragraph, the share of an eligible taxpayer of an amount is equal to the proportion of that amount that the share of the eligible taxpayer of the income or loss of the qualified partnership for the fiscal period of the partnership ending in the taxpayer's taxation year is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000.

"**1029.8.36.65.** Where a taxpayer is, for a particular calendar year after the calendar year 1996, an eligible taxpayer and a member of a group of associated employers at the end of that particular calendar year, where the aggregate of eligible contributions payable for the particular calendar year by the members of the group of associated employers exceeds the aggregate of eligible contributions payable by the members for the preceding calendar year, and where the taxpayer encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for the taxation year in which the particular calendar years ends, the taxpayer is deemed, subject to the third paragraph and provided that the taxpayer files in prescribed form the agreement described in the second paragraph with the Minister, to have paid to the Minister on the taxpayer's balance-due day for that taxation year, as partial payment of tax payable for

that taxation year under this Part, an amount equal to the amount attributed to the taxpayer for the particular calendar year pursuant to the agreement.

The agreement to which the first paragraph refers is an agreement pursuant to which all the members of the group of associated employers to which the agreement pertains attribute to one or more of them, for the purposes of this division, one or more amounts the aggregate of which for the particular calendar year does not exceed the lesser of

(*a*) $36,000; and

(*b*) the product obtained by multiplying $1,200 by the number by which the maximum number of eligible employees of each member of the group of associated employers at any time during the particular calendar year exceeds the maximum number of the eligible employees of each member of that group at any time during the preceding calendar year.

For the purpose of computing the payments that a qualified corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where the latter sections refer to that subparagraph *a*, for the taxation year in which the particular calendar year ends, the qualified corporation is, except if it receives an amount pursuant to subparagraph *a* of the fourth paragraph in respect of the taxation year, deemed to have paid to the Minister, as partial payment of tax payable for the taxation year under this Part and of tax payable for the taxation year under Parts IV, IV.1, VI and VI.1, on the first date following the end of that calendar year that is the date on or before which it is required to make such a payment, the amount determined for the taxation year in its respect under the first paragraph.

Subject to the fifth paragraph, where a qualified corporation referred to in the first paragraph, whose taxation year in which the particular calendar year ends on or after 1 March following the end of that calendar year, applies therefor in prescribed form containing prescribed information that it files with the Minister with the prescribed form containing the agreement described in the second paragraph in respect of the group of associated employers at the end of the particular calendar year of which it is a member, the following rules apply:

(*a*) the Minister may, from that date, pay to the qualified corporation the amount attributed to it for the calendar year pursuant to the agreement, to the extent that the amount does not exceed $36,000;

(*b*) the amount paid under subparagraph *a* is deemed to be tax payable by the qualified corporation under this Part and is added to the qualified corporation's tax otherwise payable for the taxation year under this Part;

(*c*) where section 1029.8.36.67 applies to reduce the amount attributed to the qualified corporation for the particular calendar year pursuant to the agreement referred to in the first paragraph, the qualified corporation shall

pay interest at the rate fixed by section 28 of the Act respecting the Ministère du Revenu (chapter M-31) on the amount by which the amount paid to it under subparagraph *a* in relation to the particular calendar year exceeds the amount that is deemed under section 1029.8.36.67 to have been attributed to it for that calendar year, for the period extending from the day on which the amount is paid until the earlier of the day on which the excess amount is paid and the day on which the qualified corporation becomes liable for interest under section 1037; and

(*d*) for the purposes of the first paragraph, the qualified corporation is deemed to have enclosed with the fiscal return it is required to file for the taxation year referred to in that paragraph, the prescribed form containing prescribed information required under the first paragraph.

The fourth paragraph does not apply to a corporation that

(*a*) is liable to the Government for an amount under a fiscal law, within the meaning of section 1 of the Act respecting the Ministère du Revenu;

(*b*) has failed to file a fiscal return under section 1000 for a preceding taxation year;

(*c*) is a bankrupt at any time during the taxation year; or

(*d*) reduces, pursuant to the third paragraph, the payments it is required to make for a period in the taxation year.

"**1029.8.36.66.** Where a qualified partnership for a particular calendar year after the calendar year 1996 is a member of a group of associated employers at the end of that particular calendar year and where the aggregate of eligible contributions payable for the particular calendar year by the members of the group of associated employers exceeds the aggregate of eligible contributions payable by the members for the preceding calendar year, each eligible taxpayer for the particular calendar year who is a member of the qualified partnership at the end of the fiscal period of the partnership in which the particular calendar year ends, and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for the taxation year in which the fiscal period ends, the taxpayer is deemed, subject to the third paragraph and provided that the taxpayer files in prescribed form the agreement described in the second paragraph with the Minister, to have paid to the Minister on the taxpayer's balance-due day for that taxation year, as partial payment of tax payable for that taxation year under this Part, an amount equal to the lesser of

(*a*) the taxpayer's share of the amount attributed to the qualified partnership, for the particular calendar year, pursuant to the agreement; and

(*b*) the amount by which $36,000 exceeds the aggregate of all amounts each of which is an amount that the eligible taxpayer is deemed to have paid to

the Minister in respect of the particular calendar year under this section, in relation to the taxpayer's interest in another qualified partnership, or under any of sections 1029.8.36.63 to 1029.8.36.65.

The agreement to which the first paragraph refers is an agreement pursuant to which all the members of the group of associated employers to which the agreement pertains attribute to one or more of them, for the purposes of this division, one or more amounts the aggregate of which for the particular calendar year does not exceed the lesser of

(*a*) $36,000; and

(*b*) the product obtained by multiplying $1,200 by the number by which the maximum number of eligible employees of each member of the group of associated employers at any time during the particular calendar year exceeds the maximum number of the eligible employees of each member of that group at any time during the preceding calendar year.

For the purpose of computing the payments that a qualified corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where the latter sections refer to that subparagraph *a*, for its taxation year in which the fiscal period of the qualified partnership ends, the qualified corporation is deemed to have paid to the Minister, as partial payment of tax payable for the taxation year under this Part and of tax payable for the taxation year under Parts IV, IV.1, VI and VI.1, on the date on which the fiscal period ends where that date coincides with the date on or before which it is required to make such a payment or, in other cases, on the first date following the end of that fiscal period which is the date on or before which it is required to make such a payment, the amount determined for the year in its respect under the first paragraph.

For the purposes of the first paragraph, the share of an eligible taxpayer of an amount is equal to the proportion of that amount that the share of the eligible taxpayer of the income or loss of the qualified partnership for the fiscal period of the partnership ending in the taxpayer's taxation year is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000.

"**1029.8.36.67.** Where the aggregate of the amounts attributed pursuant to an agreement referred to in section 1029.8.36.65 or 1029.8.36.66 for a calendar year by the members of a group of associated employers at the end of that year exceeds a particular amount equal to the lesser of $36,000 and the amount determined for the year in respect of the group of associated employers under subparagraph *b* of the second paragraph of that section, the amount so attributed to each of the members for the year is deemed, for the purposes of that section, to be equal to the proportion of the particular amount that the amount attributed for the year to that member pursuant to the agreement

is of the aggregate of all such amounts attributed for the year pursuant to the agreement.

"**1029.8.36.68.** For the purposes of sections 1029.8.36.63 to 1029.8.36.66, where a calendar year is the first year during which an eligible taxpayer or qualified partnership may be required to pay an eligible contribution, the taxpayer or partnership is deemed to have paid, for the preceding calendar year, an eligible contribution equal to zero.

"**1029.8.36.69.** Where, at any time during a particular calendar year, the activities pursued by a person or partnership in the course of carrying on a business diminish or cease in whole or in part, and where it may reasonably be considered that, because of that fact, an eligible employer, other than the person or partnership, begins, after that time, to pursue similar activities in the course of carrying on a business, or increases, after that time, the scope of similar activities in the course of carrying on a business, the following rules apply:

(*a*) for the purpose of determining the amount that the person or a member of the partnership is deemed to have paid to the Minister under this division in respect of the particular calendar year, the eligible employees of the person or of the partnership that may reasonably be considered to have been assigned to the pursuit of those activities immediately before that time are deemed to be eligible employees of the person or partnership, as the case may be, throughout the period commencing at that time and ending at the end of the particular calendar year;

(*b*) for the purpose of determining the amount that the person or a member of the partnership is deemed to have paid to the Minister under this division in respect of the calendar year following the particular calendar year, the maximum number of eligible employees of the person or of the partnership in the period commencing at that time and ending at the end of the particular calendar year shall be reduced by the number of eligible employees immediately before that time that may reasonably be considered to have been assigned to the pursuit of those activities immediately before that time;

(*c*) for the purpose of determining the amount that the eligible employer is deemed to have paid to the Minister under this division in respect of the particular calendar year, the eligible employees of the person or of the partnership that may reasonably be considered to have been assigned to the pursuit of those activities immediately before that time are deemed to be eligible employees of the eligible employer throughout the calendar year preceding the particular calendar year;

(*d*) for the purpose of determining the amount that the eligible employer is deemed to have paid to the Minister under this division in respect of the particular calendar year, the employees of the eligible employer that may reasonably be considered to have been assigned to the pursuit of similar activities after that time provided, however, that the number of those employees

does not exceed the number of eligible employees of the person or of the partnership that may reasonably be considered to have been assigned to the pursuit of those activities immediately before that time, are deemed to be eligible employees of the eligible employer throughout the period commencing at that time and ending at the end of the particular calendar year.

Where the taxation year or fiscal period of an eligible employer that includes the end of the particular calendar year referred to in the first paragraph is the eligible employer's first taxation year or first fiscal period, as the case may be, the eligible employer is deemed, for the purposes of subparagraph *c* of the first paragraph, to have carried on a business during the taxation year or fiscal period that includes the end of the calendar year preceding the particular calendar year.

"§3. — *Administration*

"**1029.8.36.70.** A taxpayer who, for a particular calendar year, is an eligible taxpayer and who any time during the preceding calendar year, had more than 25 eligible employees, shall not be deemed to have paid to the Minister, for a taxation year during which the particular calendar year ends, an amount under section 1029.8.36.63 or 1029.8.36.65 unless the taxpayer encloses with the fiscal return that the taxpayer is required to file under section 1000 for that taxation year or, where the taxpayer is a qualified partnership to which, for the particular calendar year, the third paragraph of section 1029.8.36.63 or the fourth paragraph of section 1029.8.36.65 applies, with the prescribed form containing prescribed information the taxpayer files under one of those paragraphs in relation to the taxation year, a certificate issued and not revoked by the Société québécoise de développement de la main-d'oeuvre to the effect that the taxpayer has participated in a voluntary work sharing arrangement for the particular calendar year.

"**1029.8.36.71.** Where a qualified partnership for a particular calendar year had, at any time during the preceding calendar year, more than 25 eligible employees, no amount shall be deemed, under section 1029.8.36.64 or 1029.8.36.66, to have been paid to the Minister by an eligible taxpayer for the particular calendar year, where the taxpayer is a member of the qualified partnership at the end of the qualified partnership's fiscal period during which the particular calendar year ends, for the taxation year during which the fiscal period of the qualified partnership ends, unless the taxpayer encloses, with the fiscal return the taxpayer is required to file under section 1000 for that taxation year, a certificate issued and not revoked by the Société québécoise de développement de la main-d'oeuvre to the effect that the qualified partnership has participated in a voluntary work sharing arrangement for the particular calendar year.

A member of the qualified partnership referred to in the first paragraph is deemed to have enclosed the certificate referred to in the first paragraph with the fiscal return the member is required to file for the taxation year described therein, if the member specifies, in the prescribed form the member is required to file for the taxation year under section 1029.8.36.64 or 1029.8.36.66, as the

case may be, the member of the qualified partnership responsible for filing the certificate for the other members of the partnership for the particular calendar year.

"**1029.8.36.72.** An eligible taxpayer shall not be deemed to have paid an amount to the Minister as partial payment of tax payable for a particular taxation year under any of sections 1029.8.36.63 to 1029.8.36.66 unless the taxpayer files with the Minister the prescribed information in prescribed form not later than 12 months after the taxpayer's filing-due date for the particular year."

(2) Subsection 1 has effect from 1 January 1997.

248. (1) Division II.7 of Chapter III.1 of Title III of Book IX of Part I of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998. In addition,

(1) where section 1029.8.42 of the said Act, repealed by subsection 1, applies to the taxation year 1997, it shall be read as if the reference in paragraph *d* to "$31" were a reference to "$21" and as if the reference in paragraph *e* to "$18" were a reference to "$12";

(2) where section 1029.8.46 of the said Act, repealed by subsection 1, applies to the taxation year 1997, it shall be read with the following paragraph added thereto:

"Similarly, no individual may be deemed to have paid to the Minister an amount under section 1029.8.40 for a taxation year if the individual is, on 31 December of the year, confined to a prison or similar institution and has during the year been confined for one or more periods totalling more than six months and, for the purposes of this division, such an individual is deemed, as the case may be, not to be the spouse of any person during the year."

249. (1) Section 1029.8.50 of the said Act, amended by section 159 of chapter 1 of the statutes of 1995, by section 202 of chapter 63 of the statutes of 1995, by section 290 of chapter 14 of the statutes of 1997 and by section 118 of chapter 31 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

"**1029.8.50.** Where an individual is required to repay all or part of an amount that is a benefit which the individual received under the Act respecting the Québec Pension Plan (chapter R-9) or under a similar plan within the meaning of that Act, or under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) and included in computing the individual's income for one or more preceding taxation years, the individual is deemed, except where the amount is repaid under Part VII of the Employment Insurance Act, to have paid to the Minister on the individual's balance-due day for a particular taxation year in which the individual repays such an amount, if the individual

is resident in Québec on the last day of that taxation year, as partial payment of the tax payable for the particular year under this Part, except where an amount is deducted by the individual for the particular year under paragraph *d* of subsection 1 of section 336 in respect of all or part of the amount to be repaid by the individual or where the individual is an individual to whom the rules provided for in Book V.2.1 apply for the particular year, an amount equal to the product obtained by multiplying by such proportion as the amount repaid by the individual in the particular year is of the total amount to be repaid by the individual, the aggregate of all amounts each of which is the amount by which

(*a*) the tax payable by the individual, for a preceding taxation year to which the amount to be repaid by the individual relates, under this Part and, where that taxation year is before the taxation year 1998, under Part I.1; exceeds

(*b*) the tax that would have been payable by the individual, for the preceding year referred to in subparagraph *a*, under this Part and, where that year is before the taxation year 1998, under Part I.1, if the part of the total amount to be repaid by the individual that may reasonably be considered to relate to that preceding year had been deducted in computing the individual's taxable income for that preceding year."

(2) Subsection 1 applies from the taxation year 1998.

250. Section 1029.8.62 of the said Act, enacted by section 162 of chapter 1 of the statutes of 1995 and amended by section 205 of chapter 63 of the statutes of 1995, is again amended, in the English text of the definition of "eligible expenses" in the first paragraph,

(1) by replacing the portion of paragraph *d* before subparagraph i by the following:

"(*d*) the travel expenses in respect of the adoption of the person, in this paragraph referred to as the "adopted child", by the individual of";

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

"ii. the person escorting the adopted child at the time of the travelling referred to in subparagraph i, if neither the individual nor the individual's spouse accompanies the child while that child is being so escorted,";

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

"(*e*) the travel and living expenses in respect of the adoption of the person, in this paragraph referred to as the "adopted child", by the individual of".

251. (1) Section 1029.8.67 of the said Act, enacted by section 162 of chapter 1 of the statutes of 1995 and amended by section 119 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing the portion of the definition of "child care expense" before paragraph *a* by the following:

""child care expense" means an expense that is neither prescribed nor excluded under section 1029.8.68 and that is incurred in a taxation year for the purpose of providing in Canada, for an eligible child of an individual, child care services including baby sitting services, day nursery services or services provided at a boarding school or a camp, if the child is kept";

(2) by replacing the definition of "family income" by the following definition:

""family income" of an individual for a taxation year means the amount by which the aggregate of the following amounts exceeds $26,000:

(*a*) the income of the individual for the year, and

(*b*) the income, for the year, of the person who is the individual's spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual;";

(3) by replacing paragraph *b* of the definition of "earned income" by the following paragraph:

"(*b*) the amount by which all amounts included in computing his income or that would be so included, but for paragraphs *e*, *w* and *y* of section 488R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), under sections 34 to 58.3 and paragraph *g* or *h* of section 312 exceeds the amount deducted in computing his income, or that would be so deducted but for paragraph *e* of the said section 488R1, under section 78.6,";

(4) by replacing, in paragraph *c* of the definition of "earned income", "paragraphs *e* and *k*" by "paragraph *e*";

(5) by striking out the definition of "total income".

(2) Paragraphs 1, 3 and 4 of subsection 1 apply from the taxation year 1997. However, where paragraph *b* of the definition of "earned income" in section 1029.8.67 of the said Act, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference therein to "paragraph *g* or *h*" were a reference to "paragraph *e*, *g* or *h*".

(3) Paragraphs 2 and 5 of subsection 1 apply from the taxation year 1998.

252. (1) Section 1029.8.76 of the said Act, enacted by section 162 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**1029.8.76.** The person referred to in section 1029.8.68, subparagraphs *a* and *b* of the second paragraph of section 1029.8.70 and subparagraph i of paragraph *a* of section 1029.8.71, for a taxation year, is an eligible child in respect of whom paragraphs *a* to *d* of section 752.0.14 apply for that year."

(2) Subsection 1 applies from the taxation year 1998.

253. (1) Section 1029.8.77 of the said Act, enacted by section 162 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**1029.8.77.** For the purposes of the definition of "family income" in section 1029.8.67, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time."

(2) Subsection 1 applies from the taxation year 1998.

254. (1) The said Act is amended by inserting, after section 1029.8.77, enacted by section 162 of chapter 1 of the statutes of 1995, the following section:

"**1029.8.77.1.** For the purposes of the definition of "family income" in section 1029.8.67, where an individual was resident in Canada for only part of a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part but for Book V.2.1 and if the individual had been resident in Québec and Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death."

(2) Subsection 1 applies from the taxation year 1998.

255. (1) Section 1029.8.78 of the said Act, enacted by section 162 of chapter 1 of the statutes of 1995, is repealed.

(2) Subsection 1 applies from the taxation year 1998.

256. (1) Section 1029.8.80 of the said Act, enacted by section 162 of chapter 1 of the statutes of 1995, is amended by replacing, in paragraph *w*, "26.4%" by "26%".

(2) Subsection 1 applies from the taxation year 1998.

257. (1) The said Act is amended by inserting, after section 1029.8.80, enacted by section 162 of chapter 1 of the statutes of 1995, the following section:

"**1029.8.80.1.** An individual who has, for a taxation year, a spouse referred to in paragraph *b* of the definition of "family income" in section 1029.8.67 shall not be deemed to have paid to the Minister an amount under section 1029.8.79 for that taxation year unless the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, or would be required to so file if tax were payable by the individual for the year under this Part, a certificate from the spouse in prescribed form."

(2) Subsection 1 applies from the taxation year 1998.

258. (1) The said Act is amended by inserting, after section 1029.8.100, enacted by section 209 of chapter 63 of the statutes of 1995, the following:

"DIVISION II.16

"PAYMENT OF QUÉBEC SALES TAX CREDIT

"§1. — *Interpretation*

"**1029.8.101.** In this division,

"eligible spouse" of an individual for a taxation year means the person who is the individual's spouse at the end of 31 December of the year and who, at that time,

(*a*) is not living separate and apart from the individual; and

(*b*) has not during the year been confined to a prison or similar institution for one or more periods totalling more than six months;

"family income" of an individual for a taxation year means the amount by which $26,000 is exceeded by the aggregate of

(*a*) the individual's income for the year; and

(*b*) the income, for the year, of the individual's eligible spouse for the year;

"month specified" for a taxation year means the month of August and the month of December of the following taxation year.

"**1029.8.102.** For the purposes of the definition of "eligible spouse" in section 1029.8.101, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.

"**1029.8.103.** For the purposes of the definition of "family income" in section 1029.8.101, where an individual was resident in Canada for only part of a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part but for Book V.2.1 and if the individual had been resident in Canada throughout the year.

"**1029.8.104.** For the purposes of section 1029.8.105, a person is a dependant of an individual during a taxation year if, during the year, the person is, in respect of the individual, a person who would be described in paragraph *b* of section 752.0.1 but for subparagraph v of that paragraph.

"§2. — *Credit*

"**1029.8.105.** An individual, other than a trust, who is resident in Québec at the end of 31 December of a taxation year and, throughout the year, is not a dependant of another individual, is deemed, provided that the individual makes an application therefor in the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if tax were payable under this Part by the individual for the year, to have paid to the Minister, in each of the months specified for that year, on account of tax payable by the individual under this Part for the year, an amount equal to half of the amount by which the total of the following amounts exceeds 3% of the individual's family income for the year:

(*a*) $154 in respect of the individual;

(*b*) $154 in respect of the individual's eligible spouse for the year, where applicable; and

(*c*) $103 if the individual, throughout the year, does not have a spouse and ordinarily lives in a self-contained domestic establishment in which no person lives other than the individual or a dependant of the individual.

"**1029.8.106.** For the purposes of section 1029.8.105, the following rules apply:

(*a*) where, for a taxation year, an individual is the eligible spouse of another individual, only one of them may make the application referred to in that section for the year;

(*b*) where, for a taxation year, the aggregate of the amounts deemed under that section to be paid by an individual during the months specified for the year is less than $50, the individual is deemed to have paid that aggregate during the first month specified for the year and no other amount is deemed to be paid under that section by the individual for the year; and

(*c*) no amount is deemed to be paid under that section by an individual for a taxation year during a month specified for that year if the individual was not resident in Québec at the beginning of that month.

"**1029.8.107.** An individual shall not be deemed to have paid to the Minister an amount under section 1029.8.105 for a taxation year during a month specified for that year if the individual or the individual's eligible spouse for the year, where applicable, is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* of the first paragraph of section 96 of the Act respecting the Ministère du Revenu (chapter M-31).

"**1029.8.108.** An individual shall not be deemed to have paid to the Minister an amount under section 1029.8.105 for a taxation year during a month specified for that year if, at the end of 31 December of the year, the individual has during the year been confined to a prison or similar institution for one or more periods totalling more than six months.

"**1029.8.109.** Where, before the beginning of a month specified for a taxation year, an individual dies, the individual shall not be deemed to have paid to the Minister, during that month, an amount under section 1029.8.105 for the year.

However, the amount that, but for the first paragraph, would be deemed to have been paid to the Minister by a deceased individual during a month specified for a taxation year is deemed, subject to paragraph *c* of section 1029.8.106, to have been paid to the Minister by the individual's eligible spouse for the year, during that month specified, on account of tax payable under this Part for the year, if the individual's eligible spouse for the year did not die before the beginning of that month and provided the eligible spouse makes an application therefor in writing to the Minister, on or before the day on which the legal representative of the individual is required to file with the Minister under section 1000 the individual's fiscal return for the year of the individual's death, or would be required to file if tax were payable under this Part by the individual for that year."

(2) Subsection 1 applies from the taxation year 1997. However, where it applies to the taxation year 1997, section 1029.8.105 of the said Act, enacted by subsection 1, shall be read as follows:

"**1029.8.105.** An individual, other than a trust, who is resident in Québec at the end of 31 December of a taxation year and, throughout the year, is not a dependant of another individual, is deemed, provided that the individual makes an application therefor in the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if tax were payable under this Part by the individual for the year, to have paid to the Minister, in each of the months specified for that year, on account of tax payable by the individual under this Part for the year, an amount equal to the amount determined by the formula

$$\frac{1}{2} \times (A - B).$$

For the purposes of the formula in the first paragraph,

(*a*) A is the amount by which the total of the following amounts exceeds 3% of the individual's family income for the year:

i. $154 in respect of the individual,

ii. $154 in respect of the individual's eligible spouse for the year, where applicable, and

iii. $103 if the individual, throughout the year, does not have a spouse and ordinarily lives in a self-contained domestic establishment in which no person lives other than the individual or a dependant of the individual; and

(*b*) B is the amount by which the total of the following amounts exceeds 3% of the individual's family income for the year:

i. $104 in respect of the individual,

ii. $104 in respect of the individual's eligible spouse for the year, where applicable, and

iii. $53 if the individual, throughout the year, does not have a spouse and ordinarily lives in a self-contained domestic establishment in which no person lives other than the individual or a dependant of the individual."

259. (1) The said Act is amended by inserting, after section 1034.3, enacted by section 251 of chapter 39 of the statutes of 1996, the following sections:

"**1034.4.** Where, for a taxation year, the Minister has refunded an amount to an individual or has applied an amount to another of the individual's liabilities, and that amount is greater than the amount that should have been refunded or applied, the individual and the person who, for the year, is the individual's eligible spouse are solidarily liable for payment of that excess amount, to the extent that the excess amount may reasonably be considered to relate to the application of section 1029.8.105.

However, nothing in this section limits the liability of the individual or the individual's eligible spouse for the year, where applicable, under any other provision of this Act.

"**1034.5.** For the purposes of sections 1034.4 to 1035, "eligible spouse" of an individual for a taxation year has the meaning assigned by section 1029.8.101."

(2) Subsection 1 applies from the taxation year 1997.

260. (1) Section 1035 of the said Act, amended by section 261 of chapter 63 of the statutes of 1995 and replaced by section 252 of chapter 39 of the statutes of 1996, is again replaced by the following section:

"**1035.** The Minister may at any time assess a transferee in respect of any amount payable by virtue of section 1034, an individual in respect of any amount payable by virtue of subsections 1 and 2 of section 1034.1, a person in respect of any amount payable by that person by virtue of subsection 2.1 of section 1034.1 or section 1034.2 or 1034.3 or an eligible spouse of an individual in respect of any amount payable by virtue of section 1034.4, and this Book applies, with the necessary modifications, to an assessment made under this section as though it had been made under Title II."

(2) Subsection 1 applies from the taxation year 1997.

261. (1) Section 1036 of the said Act, amended by section 199 of chapter 1 of the statutes of 1995 and by section 253 of chapter 39 of the statutes of 1996, is again amended by replacing, in the portion before paragraph *a* and in paragraph *b*, "1034.3" by "1034.4".

(2) Subsection 1 applies from the taxation year 1997.

262. (1) Sections 1049.1.0.1 and 1049.1.0.2 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, are replaced by the following sections:

"**1049.1.0.1.** Where a corporation stipulates falsely, in its final prospectus or an application for exemption from filing a prospectus relating to the issue of a convertible security, within the meaning of paragraph *l* of section 965.1, a qualifying non-guaranteed convertible security, within the meaning of paragraph *j*.5 of section 965.1, or a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5, that the share that may be acquired as a result of the exercise of the conversion right conferred on the holder of the convertible security, qualifying non-guaranteed convertible security or preferred share may be included in a stock savings plan described in section 965.2, and it issues the share, the corporation is liable to a penalty equal to 25% of the adjusted cost that would be determined under section 965.6 if the stipulation of the corporation were true, of each share distributed in Québec to an individual other than a trust, to an investment group or to an investment fund.

"**1049.1.0.2.** Where a corporation stipulates, in its final prospectus or an application for exemption from filing a prospectus relating to the issue of a convertible security, within the meaning of paragraph *l* of section 965.1, a qualifying non-guaranteed convertible security, within the meaning of paragraph *j*.5 of section 965.1, or a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 in respect of the share that may be acquired as a result of the exercise of the conversion right conferred on the holder of the convertible security, qualifying non-guaranteed convertible security or preferred share, as the case may be, and that may be included in a stock savings plan described in section 965.2, an adjusted cost other than that determined under section 965.6, and it issues the share, the corporation is liable to a penalty equal to 25% of the amount by which the adjusted cost so

stipulated in respect of each share distributed in Québec to an individual other than a trust, to an investment group or to an investment fund exceeds the adjusted cost determined under section 965.6 in respect of each such share."

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

263. (1) The said Act is amended by inserting, after section 1049.1.3, the following section:

"**1049.1.4.** Notwithstanding section 1049.1.1, where a corporation referred to in section 965.11.7.1 makes a public issue of preferred shares meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 and the preferred shares are not listed on the Montréal Stock Exchange within 90 days of the date of the receipt for the final prospectus or the exemption from filing a prospectus in respect of their issue, the corporation is liable to a penalty equal to 25% of the adjusted cost, determined under section 965.6, of each preferred share of the issue distributed in Québec to an individual other than a trust, to an investment group or to an investment fund."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

264. (1) Section 1049.2.2.5.1 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the fourth paragraph by the following paragraph:

"The first paragraph does not apply in respect of a reference security or an accepted security where, under the conditions pertaining to its issue, the consideration received by the holder of the security at the time of redemption, repayment or replacement consists only in shares identical, as to the number and the terms and conditions, rights or other characteristics attached thereto, to those the holder would have obtained in exercising the conversion right conferred on the holder by the security."

(2) Subsection 1 has effect from 26 March 1997.

265. (1) The said Act is amended by inserting, after section 1049.2.2.5.2, the following sections:

"**1049.2.2.5.3.** Where a particular corporation referred to in section 965.11.7.1 has issued a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 that may be redeemed or repaid by the

particular corporation or purchased by anyone in any manner whatever, under the conditions pertaining to its issue, and, at a particular time before the date that is 1,825 days after the date of its issue, the share, referred to in this section as a "reference share", or a replaced share, is either replaced by a share other than a replaced share, or redeemed or repaid by the particular corporation or, where the replaced share has been issued by another corporation, by the other corporation, or purchased by anyone in any manner whatever, the particular corporation, or the other corporation, as the case may be, is, in respect of the reference share or the replaced share, as the case may be, except in the case provided for in the third paragraph, liable to a penalty equal to the amount determined in its respect by the formula

$$(A \times B \times C) + (A \times B \times C \times D \times E).$$

For the purposes of the formula in the first paragraph,

(*a*) A is 18%;

(*b*) B is the fraction represented by the ratio between, on the one hand, the number of preferred shares meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 issued as part of the public share issue within the framework of which the reference share was issued, the custody of which has been entrusted to a dealer under a stock savings plan, which number must correspond to the fraction indicated to that effect by the particular corporation, in accordance with section 965.24.1.4, at the particular time referred to in that paragraph, and, on the other hand, the total number of such preferred shares issued as part of the issue;

(*c*) C is the par value of the reference share or, where this section applies in respect of a replaced share issued as part of an issue of several replaced shares as a replacement for a reference share, the result obtained by dividing that par value by the number of such replaced shares so issued, referred to in this subparagraph as the "new par value", or, where this section applies in respect of a replaced share issued as part of an issue of several shares in substitution for such a share so issued, the result obtained by dividing the new par value by the number of such replaced shares so issued;

(*d*) D is the rate that would be calculated in accordance with section 1129.12.4 in respect of the public share issue as part of which the reference share was issued if the said section were read as though the reference therein to subparagraph *d* of the second paragraph of section 1129.12.3 were a reference to this subparagraph; and

(*e*) E is the number of full calendar years included in the period beginning on 1 January in the year following that in which was granted the receipt for the final prospectus or the exemption from filing a prospectus pertaining to the public share issue as part of which the reference share was issued and ending on the date that includes the particular time referred to in the first paragraph.

The first paragraph does not apply in respect of a reference share or replaced share referred to therein where, under the conditions relating to its issue, the consideration received by its holder at the time of redemption, repayment or replacement consists only in shares identical, as to the number and the terms and conditions, rights or other characteristics attached thereto, to those the holder would have obtained in exercising the conversion right conferred on the holder by the reference share or replaced share, as the case may be.

"**1049.2.2.5.4.** For the purposes of section 1049.2.2.5.3, a replaced share is a particular share issued by a corporation referred to in section 965.11.7.1 following a transaction described in sections 536, 541 and 544, as a replacement for a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5, referred to in this section as a "replaced share", or in substitution for such a share so issued, and meeting the requirements set forth in its respect in the second paragraph.

The requirements referred to in the first paragraph, in respect of a particular share, are as follows:

(*a*) the conditions pertaining to its issue provide that it may be redeemed or repaid by the corporation or purchased by anyone in any manner whatever;

(*b*) it is identical, as to the terms and conditions, rights or other characteristics attached thereto, to the replaced share."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

266. (1) Section 1049.2.2.10 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**1049.2.2.10.** The Minister may cancel or reduce the amount of a penalty that would, but for this section, be determined under any of sections 1049.1.0.5 and 1049.2.1 to 1049.2.2.5.3 in respect of a corporation, if the Minister considers that, having regard to all the circumstances, the amount would otherwise be excessive."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

267. (1) Section 1049.2.2.11 of the said Act is replaced by the following section:

"**1049.2.2.11.** For the purposes of this Part, except section 1049.2.2.10 and this section, where the Minister reduces to a particular amount the amount of the penalty determined under any of sections 1049.1.0.5 and 1049.2.1 to 1049.2.2.5.3 in respect of a transaction, the particular amount is deemed to be the amount determined under that section in respect of the transaction."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

268. (1) Section 1049.2.6 of the said Act is amended by replacing the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the year by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, a qualifying non-guaranteed convertible security or a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 purchased in the year by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

269. (1) Section 1049.2.7.1 of the said Act is amended by replacing the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, a qualifying non-guaranteed convertible security or a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 purchased by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

270. (1) Section 1049.2.7.1.1 of the said Act is amended by replacing the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, a qualifying non-guaranteed convertible security or a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 purchased by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible

security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

271. (1) Section 1049.2.7.2 of the said Act is amended, in paragraph *b*, by replacing the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the year by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, a qualifying non-guaranteed convertible security or a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 purchased in the year by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

272. (1) Section 1049.2.7.3 of the said Act is amended by replacing the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund" by the words "as a result of the exercise of a conversion right conferred on the holder of a convertible security, a qualifying non-guaranteed convertible security or a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 purchased by the investment fund".

(2) Subsection 1 applies in respect of a share or non-guaranteed convertible security acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

273. (1) Section 1049.2.7.6 of the said Act, amended by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**1049.2.7.6.** Where a corporation is required to meet the obligation provided for in the first paragraph of section 965.24.1.3 or 965.24.1.4 and it omits to file with the Minister the prescribed form referred to in the said paragraph within the time prescribed, it is liable to a penalty of $10 a day for every day the omission continues, up to the amount of $2,500."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

274. Section 1049.8 of the said Act is replaced by the following section:

"**1049.8.** Every qualified corporation, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), that pays an amount referred to in the first paragraph of section 23 of the Québec Business Investment Companies Regulation made under section 16 of the said Act, to a Québec business investment company during the 60 months following the acquisition of a share that forms part of a qualified investment by that Québec business investment company is liable to a penalty equal to 30% of the amount so paid but not in excess of 30% of the total amount of the investment."

275. (1) The said Act is amended by inserting, after section 1049.32, the following section:

"**1049.33.** Where an employer is required, under the Act respecting labour standards (chapter N-1.1), to enter into a tip remittance agreement with an individual and the employer allows the individual to perform employment duties for an establishment, within the meaning of section 42.6, without having entered into such agreement relating to tips, or, if the agreement has been entered into, the employer does not respect the terms thereof as they refer to the minimum obligations set out in section 97.3 of that Act that are so imposed on the employer, the employer is liable in respect of the individual to a fine of $100 for each pay period during which the individual performs employment duties for the establishment while the agreement with the individual relating to tips is not in effect or for each pay period during which the employer does not respect the terms of the agreement in reference to the minimum obligations that are so imposed on the employer."

(2) Subsection 1 applies from the first pay period of the employer that begins after 31 December 1997.

276. (1) Section 1050 of the said Act is replaced by the following section:

"**1050.** Where, in any appeal under the Act respecting the Ministère du Revenu (chapter M-31), a penalty is in issue, the burden of establishing the facts referred to in sections 1049 to 1049.33 is on the Minister."

(2) Subsection 1 applies from 1 January 1998.

277. (1) Section 1052 of the said Act, amended by section 127 of chapter 31 of the statutes of 1997, is again amended by replacing the portion before paragraph *a* by the following:

"**1052.** Where an overpayment by a taxpayer, otherwise than as a consequence of the operation of Division II.16 of Chapter III.1 of Title III, is refunded to the taxpayer or is applied to another of the taxpayer's liabilities, interest shall be paid to the taxpayer on the excess amount for the period ending on the day of that refund or application and beginning on the day that is the latest of".

(2) Subsection 1 applies from the taxation year 1997.

278. (1) The said Act is amended by inserting, after section 1053.0.1, enacted by section 221 of chapter 63 of the statutes of 1995, the following sections:

"**1053.0.2.** Where an overpayment by an individual for a taxation year as a consequence of the operation, for the year, of Division II.16 of Chapter III.1 of Title III, otherwise than as a consequence of the operation of the second paragraph of section 1029.8.109, is refunded to the individual or is applied to another of the individual's liabilities, interest shall be paid to the individual on the excess amount for the period ending on the day of that refund or application and beginning on the day that is the latest of

(*a*) the last day of the month specified for the year, within the meaning of section 1029.8.101, to which the excess amount is related;

(*b*) the forty-sixth day following the day on which the individual's fiscal return, referred to in section 1029.8.105, was filed for the year; and

(*c*) in the case of an excess amount determined for the year pursuant to an application to amend the fiscal return referred to in section 1029.8.105 for that year, the forty-sixth day following the day on which the Minister receives the application in writing.

"**1053.0.3.** Where an overpayment by an individual for a taxation year as a consequence of the operation, for the year, of the second paragraph of section 1029.8.109, is refunded to the individual or is applied to another of the individual's liabilities, interest shall be paid to the individual on the excess amount for the period ending on the day of that refund or application and beginning on the day that is the latest of

(*a*) the last day of the month specified for the year, within the meaning of section 1029.8.101, to which the excess amount is related;

(*b*) the forty-sixth day following the day on which the Minister receives the application in writing referred to in that paragraph for the year."

(2) Subsection 1 applies from the taxation year 1997.

279. (1) Title VI.1 of Book IX of Part I of the said Act is repealed.

(2) Subsection 1 has effect from 1 September 1997, except in respect of payments of

(1) a child allowance provided for in the Act respecting family assistance allowances (R.S.Q., chapter A-17) that relate to a situation before 1 August 1997;

(2) a newborn child allowance provided for in sections 8 to 12.1 of the Act respecting family assistance allowances in respect of children who, on 30 September 1997, give entitlement or have given entitlement to that allowance or in respect of children placed for adoption in a family before 1 October 1997, even where in that case the required adoption judgment has yet to be pronounced.

280. (1) Title VII of Book IX of Part I of the said Act is repealed.

(2) Subsection 1 applies from 1 January 1998.

(3) In addition, where section 1060.1 of the said Act, repealed by subsection 1, applies after 11 July 1996, it shall be read with the second paragraph replaced by the following paragraph:

"Similarly, no taxpayer may serve a notice of objection to a reassessment or determination under any of sections 421.8, 710.3, 716.0.1, 752.0.10.4.1 and 752.0.10.15, subparagraph i of paragraph *a*.1 of subsection 2 of section 1010 or any of sections 1010.0.1, 1012, 1056.8 and 1079.16, except in respect of amounts to which those provisions apply."

281. (1) Section 1065 of the said Act, amended by section 224 of chapter 63 of the statutes of 1995, is again amended, in subsection 2, by replacing "delay to appeal contemplated in section 1069" by "time limit specified in section 93.1.15 of the Act respecting the Ministère du Revenu (chapter M-31) for appealing".

(2) Subsection 1 applies from 1 January 1998.

282. (1) Book X of Part I of the said Act is repealed.

(2) Subsection 1 applies from 1 January 1998. In addition, where section 1066.2 of the said Act, repealed by subsection 1, applies after 11 July 1996, it shall be read with the first paragraph replaced by the following paragraph:

"**1066.2.** Notwithstanding section 1066, no taxpayer may appeal from a reassessment or determination under any of sections 421.8, 710.3, 716.0.1, 752.0.10.4.1 and 752.0.10.15, subparagraph i of paragraph *a*.1 of subsection 2 of section 1010 or any of sections 1010.0.1, 1012, 1056.8 and 1079.16, except in respect of amounts to which those provisions apply."

283. (1) Part I.1 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

284. (1) Section 1089 of the said Act, amended by section 181 of chapter 1 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended, in the first paragraph,

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

"(*a*) the amount by which the income from the duties of offices or employments performed by the individual in Québec exceeds the amount which, if the individual is an individual referred to in section 737.16.1, a foreign researcher referred to in paragraph *a* of section 737.19 or a foreign instructor referred to in the definition of that expression in section 737.22.0.1, would be deductible in computing the individual's taxable income for the year under any of sections 737.16.1, 737.21 and 737.22.0.3, as the case may be, if the individual's taxable income were determined under Part I;";

(2) by replacing subparagraph *g* by the following subparagraph:

"(*g*) the amount by which the income determined under paragraphs *b* and *c* of section 1092 in respect of an individual exceeds the amount which, if the individual is an individual referred to in section 737.16.1, a foreign researcher referred to in paragraph *a* of section 737.19 or a foreign instructor referred to in the definition of that expression in section 737.22.0.1, would be deductible in computing the individual's taxable income for the year under any of sections 737.16.1, 737.21 and 737.22.0.3, as the case may be, if the individual's taxable income were determined under Part I;".

(2) Subsection 1 applies from the taxation year 1997.

285. (1) Section 1090 of the said Act, amended by section 182 of chapter 1 of the statutes of 1995, by section 232 of chapter 49 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended, in the first paragraph,

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

"(*a*) the amount by which the income from the duties of offices or employments performed by the individual in Canada exceeds the amount which, if the individual is an individual referred to in section 737.16.1, a foreign researcher referred to in paragraph *a* of section 737.19 or a foreign instructor referred to in the definition of that expression in section 737.22.0.1, would be deductible in computing the individual's taxable income for the year under any of sections 737.16.1, 737.21 and 737.22.0.3, as the case may be, if the individual's taxable income were determined under Part I;";

(2) by replacing subparagraph *g* by the following subparagraph:

"(*g*) the amount by which the income which would be determined under paragraphs *b* and *c* of section 1092 in respect of the individual if the word "Québec", in sections 1092 and 1093, were replaced wherever it appears by the word "Canada", exceeds the amount which, if the individual is an individual referred to in section 737.16.1, a foreign researcher referred to in paragraph *a* of section 737.19 or a foreign instructor referred to in the definition of that expression in section 737.22.0.1, would be deductible in computing the

individual's taxable income for the year under any of sections 737.16.1, 737.21 and 737.22.0.3, as the case may be, if the individual's taxable income were determined under Part I;".

(2) Subsection 1 applies from the taxation year 1997.

286. (1) Section 1091 of the said Act, amended by section 183 of chapter 1 of the statutes of 1995 and by section 259 of chapter 39 of the statutes of 1996, is again amended

(1) by striking out, in the portion before paragraph *a*, the words ", in subparagraph *a* of the first paragraph of the said section 1090, to ", calculated without reference to section 36.1,", and";

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

"(*a*) the deductions permitted by sections 725, 725.1.2 and 725.2 to 725.4;";

(3) by replacing, in paragraph *c*, "737.16.1 and 737.21," by "737.16.1, 737.21 and 737.22.0.3,".

(2) Subsection 1 applies from the taxation year 1997.

287. (1) Section 1129.2 of the said Act, amended by section 50 of chapter 21 of the statutes of 1994, by section 199 of chapter 1 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997, by section 263 of chapter 14 of the statutes of 1997 and by section 133 of chapter 31 of the statutes of 1997, is again amended, in the first paragraph,

(1) by striking out subparagraph *b*;

(2) by replacing subparagraph *c* by the following subparagraph:

"(*c*) where the situations described in subparagraphs i and ii of subparagraph *a* are not encountered in the particular year in respect of the property nor have been in any preceding taxation year, any government assistance or non-government assistance that the corporation has received, is entitled to receive, or may reasonably expect to receive on or before its filing-due date, within the meaning of section 1, for the particular year must be taken into account, for or from the particular year and in respect of the property, in computing the amount determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definition of "qualified manpower expenditure" in the first paragraph of section 1029.8.34, and the expenditure to which the assistance is attributable has been incurred by the corporation in a taxation year preceding the particular year, an amount equal to the amount by which the aggregate of all amounts each of which is an amount the corporation is deemed to have paid to the Minister, under section 1029.8.35, in respect of the property, for the particular year or a preceding taxation year, exceeds the aggregate of

i. the aggregate of all amounts each of which is, for the particular year or any preceding taxation year, an amount the corporation would have been deemed to have paid to the Minister under section 1029.8.35, in respect of the property if the assistance had been received by the corporation in the year in which the expenditure to which the assistance is attributable was incurred, and

ii. the aggregate of all amounts each of which is tax the corporation is required to pay under this Part, in respect of the property, for any taxation year preceding the particular year;";

(3) by replacing, in subparagraph ii of paragraph *d*, "subparagraph *b*" by "subparagraph *b*, as it read before being struck out,".

(2) Subsection 1 has effect from 26 March 1997.

288. (1) The said Act is amended by inserting, after section 1129.4.3, enacted by section 264 of chapter 14 of the statutes of 1997, the following:

"PART III.1.2

"SPECIAL TAX RELATING TO THE DEVELOPMENT OF INFORMATION TECHNOLOGIES

"**1129.4.4.** Every corporation that is deemed to have paid to the Minister of Revenue, under section 1029.8.36.0.5, an amount as partial payment of tax payable under Part I for a particular taxation year shall, where during a subsequent taxation year, an amount relating to an expenditure in respect of which it is so deemed to have paid an amount is, in whole or in part, directly or indirectly, repaid to the corporation or allocated to a payment to be made by the corporation, pay for that subsequent year tax equal to 40% of the amount so repaid or allocated.

Every corporation that is deemed to have paid to the Minister of Revenue, under section 1029.8.36.0.6, in relation to acquisition costs incurred in respect of property, an amount as partial payment of tax payable under Part I for the taxation year during which the property was acquired shall, for a particular subsequent taxation year, pay tax equal to:

(*a*) the amount by which the amount the corporation is deemed to have paid to the Minister, under section 1029.8.36.0.6, in respect of the property, exceeds the aggregate of all amounts each of which is an amount the corporation is required to pay under subparagraph *b* in respect of that property, for a taxation year preceding the particular year, where

i. at any time between the corporation's filing-due date for the taxation year during which the corporation is so deemed to have paid an amount to the Minister and the day after the earlier of the day that is the end of the period of 1,095 days following the beginning of the use of the property by the corporation and the corporation's filing-due date for the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the

property by fire, theft or water or of a major breakdown of the property, to be used by the corporation exclusively in a building housing an information technologies development centre, within the meaning of the first paragraph of section 1029.8.36.0.4, or

ii. on or before the corporation's filing-due date for the particular year, the certificate issued to the corporation by the Minister of Finance in relation to the property is revoked; or

(*b*) where subparagraph *a* does not apply to the particular year nor has been applied to a preceding taxation year in relation to the property and where, during the particular year, an amount relating to the acquisition costs incurred for the property in respect of which the corporation is deemed, under section 1029.8.36.0.6, to have paid an amount for a taxation year, is, in whole or in part, directly or indirectly, repaid to the corporation or allocated to a payment to be made by the corporation, 40% of the amount so repaid or allocated.

In this Part, "taxation year" has the meaning assigned by Part I.

"**1129.4.5.** For the purposes of Part I, except for Division II.6.0.2 of Chapter III.1 of Title III of Book IX, tax paid to the Minister of Revenue by a corporation at any time, under section 1129.4.4, in relation to expenditure or property, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure or property, pursuant to a legal obligation to do so.

"**1129.4.6.** Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part."

(2) Subsection 1 has effect from 26 March 1997.

289. (1) The said Act is amended by inserting, after section 1129.12, the following:

"PART III.2.1

"SPECIAL TAX RELATING TO PREFERRED SHARES OF REGIONAL VENTURE CAPITAL CORPORATIONS

"BOOK I

"DEFINITIONS

"**1129.12.1.** In this Part, unless the context indicates otherwise,

"Minister" means the Minister of Revenue;

"public share issue" has the meaning assigned by paragraph *h* of section 965.1;

"taxation year" has the meaning assigned by Part I.

"BOOK II

"TAX LIABILITY AND AMOUNT OF TAX

"**1129.12.2.** Where a particular corporation referred to in section 965.11.7.1 has issued a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 that may be redeemed or repaid by the particular corporation or purchased by anyone in any manner whatever, under the conditions pertaining to its issue, and, before the date that is 1,825 days after the date of its issue, the share, referred to in this section as a "reference share", or a replaced share, has not been either replaced by a share other than a replaced share, or redeemed or repaid by the particular corporation or, where the replaced share has been issued by another corporation, by the other corporation, or purchased by anyone in any manner whatever, the particular corporation, or the other corporation, as the case may be, shall pay, in respect of the reference share or the replaced share, as the case may be, except in the case provided for in section 1129.12.5, a tax equal to the amount determined under section 1129.12.3 in respect of the reference share or replaced share, for its taxation year in which the date that is 1,825 days after the date of issue of the reference share occurs.

"**1129.12.3.** The amount of the tax referred to in section 1129.12.2 in respect of a reference share or replaced share, as the case may be, is equal to the amount determined in its respect by the formula

$$(A \times B \times C) + (A \times B \times C \times D \times E).$$

For the purposes of the formula in the first paragraph,

(*a*) A is 3%;

(*b*) B is the fraction represented by the ratio between, on the one hand, the number of preferred shares meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 issued as part of the public share issue within the framework of which the reference share was issued, the custody of which has been entrusted to a dealer under a stock savings plan, which number must correspond to the fraction indicated to that effect by the particular corporation referred to in section 1129.12.2, in accordance with section 965.24.1.4, at the particular time referred to in the said section 1129.12.2 and, on the other hand, the total number of such preferred shares issued as part of the issue;

(*c*) C is the par value of the reference share or, where section 1129.12.2 applies in respect of a replaced share issued as part of an issue of several replaced shares as a replacement for a reference share, the result obtained by

dividing that par value by the number of such replaced shares so issued, referred to in this subparagraph as the "new par value", or, where section 1129.12.2 applies in respect of a replaced share issued as part of an issue of several shares in substitution for such a share so issued, the result obtained by dividing the new par value by the number of such replaced shares so issued; and

(*d*) D is the rate calculated in accordance with section 1129.12.4 in respect of the public share issue as part of which the reference share was issued;

(*e*) E is the number of full calendar years included in the period beginning on 1 January in the year following that in which was granted the receipt for the final prospectus or the exemption from filing a prospectus pertaining to the public share issue as part of which the reference share was issued and ending on the date that is 1,825 days after the date of issue of the reference share.

"**1129.12.4.** The rate to which subparagraph *d* of the second paragraph of section 1129.12.3 refers in respect of a public share issue as part of which a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5 was issued is equal to the long-term weighted average yield of provincial bonds as indicated in the weekly bulletin of financial statistics of the Bank of Canada for the third week preceding that during which a favourable advance ruling was granted by the Ministère du Revenu in respect of the issue.

The Ministère du Revenu shall confirm the applicable rate in the advance ruling referred to in the first paragraph.

"**1129.12.5.** Section 1129.12.2 does not apply in respect of a reference share or replaced share referred to therein where, under the conditions pertaining to its issue, the consideration which its holder is entitled to receive at the time of redemption, repayment or replacement, as the case may be, consists only in shares identical, as to the number and the terms and conditions, rights or other characteristics attached thereto, to those the holder would be entitled to obtain in exercising the conversion right conferred on the holder by the reference share or replaced share, as the case may be.

"**1129.12.6.** For the purposes of this Book, a replaced share is a particular share issued by a corporation referred to in section 965.11.7.1, following a transaction described in section 536, 541 or 544, as a replacement for a preferred share meeting the requirements set forth in paragraph *b* of section 965.9.1.0.5, referred to in this section as a "replaced share", or in substitution for such a share so issued, and meeting the requirements set forth in its respect in the second paragraph.

The requirements referred to in the first paragraph, in respect of a particular share, are as follows:

(*a*) the conditions pertaining to its issue provide that it may be redeemed or repaid by the corporation or purchased by anyone in any manner whatever;

(*b*) it is identical, as to the terms and conditions, rights or other characteristics attached thereto, to the replaced share.

"BOOK III

"MISCELLANEOUS PROVISIONS

"**1129.12.7.** Except where inconsistent with this Part, sections 1.2 and 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications."

(2) Subsection 1 applies in respect of a share acquired as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 25 March 1997.

290. (1) Section 1129.19 of the said Act, amended by section 362 of chapter 1 of the statutes of 1995 and by section 261 of chapter 63 of the statutes of 1995, is replaced by the following section:

"**1129.19.** Unless otherwise provided in this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications."

(2) Subsection 1 applies from 1 January 1998.

291. (1) Section 1129.23 of the said Act, amended by section 362 of chapter 1 of the statutes of 1995 and by section 261 of chapter 63 of the statutes of 1995, is replaced by the following section:

"**1129.23.** Unless otherwise provided in this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications."

(2) Subsection 1 applies from 1 January 1998.

292. (1) Section 1129.33 of the said Act, amended by section 362 of chapter 1 of the statutes of 1995 and by section 261 of chapter 63 of the statutes of 1995, is again amended by replacing, in the first paragraph, ", 1014, 1057 to 1062 and 1066 to 1079" by "and 1014".

(2) Subsection 1 applies from 1 January 1998.

293. (1) The said Act is amended by inserting, after section 1129.33, the following:

"PART III.7.1

"SPECIAL TAX RELATING TO THE USE OF LESS POLLUTING DRY-CLEANING TECHNOLOGY

"**1129.33.1.** In this Part,

"acquisition costs" has the meaning assigned by the first paragraph of section 1029.8.21.4;

"filing-due date" has the meaning assigned by section 1;

"fiscal period" has the meaning assigned by Part I;

"Minister" means the Minister of Revenue;

"qualified property" has the meaning assigned by the first paragraph of section 1029.8.21.4;

"taxation year" has the meaning assigned by Part I;

"taxpayer" has the meaning assigned by section 1.

"**1129.33.2.** Every taxpayer who is deemed to have paid to the Minister, under section 1029.8.21.5, an amount as partial payment of tax payable for any taxation year under Part I, in relation to acquisition costs in respect of qualified property, shall pay tax, for a particular taxation year, equal

(*a*) to the amount by which the aggregate of all amounts each of which is an amount the taxpayer is deemed to have paid to the Minister, under section 1029.8.21.5, in respect of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax the taxpayer is required to pay under this section in respect of the property for a taxation year preceding the particular year, where

i. at any time between the taxpayer's filing-due date for the preceding taxation year and the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the taxpayer and the taxpayer's filing-due date for the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a dry-cleaning business operated

(1) by the taxpayer, and that time is also within the portion of that period in which the taxpayer owns the property; or

(2) by a person who acquired the property from the taxpayer in any of the circumstances described in section 130R71 of the Regulation respecting the

Taxation Act (R.R.Q., 1981, chapter I-3, r.1), and that time is also within the portion of that period in which the person owns the property, or

ii. on or before the taxpayer's filing-due date for the particular year, the validation certificate issued to the taxpayer in relation to the qualified property is revoked; or

(*b*) where paragraph *a* does not apply to the particular year nor has been applied to a preceding taxation year in relation to the property and where, during the particular year, an amount relating to those acquisition costs, in respect of which the taxpayer is deemed, under section 1029.8.21.5, to have paid an amount for a taxation year preceding the particular year, is, in whole or in part, directly or indirectly, repaid to the taxpayer or allocated to a payment to be made by the taxpayer, to the amount obtained by applying to the amount so repaid or allocated the percentage applied to the amount of the acquisition costs for the particular taxation year under section 1029.8.21.5.

"**1129.33.3.** Every taxpayer who is a member of a partnership and who is deemed to have paid to the Minister, under section 1029.8.21.6, an amount as partial payment of tax payable under Part I for any taxation year in respect of the taxpayer's share of an amount of the acquisition costs incurred by the partnership, in respect of a qualified property, in the partnership's fiscal period ending in that year, shall pay, for a particular taxation year, the aggregate of

(*a*) the amount by which the aggregate of all amounts each of which is an amount the taxpayer is deemed to have paid to the Minister, under section 1029.8.21.6, in respect of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax the taxpayer is required to pay under this section in respect of the property for a taxation year preceding the particular year, where

i. at any time between the day that is six months after the end of the partnership's fiscal period ending in the preceding taxation year and the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the partnership and the day that is six months after the end of the partnership's fiscal period ending in the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a dry-cleaning business operated

(1) by the partnership, and that time is also within the portion of that period in which the partnership owns the property; or

(2) by a person who acquired the property from the partnership in any of the circumstances described in section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), and that time is also within the portion of that period in which the person owns the property, or

ii. on or before the day that is six months after the end of the partnership's fiscal period ending in the particular year, the validation certificate issued to the partnership in relation to the qualified property is revoked;

(*b*) where paragraph *a* does not apply to the particular year nor has been applied to a preceding taxation year in relation to the property and where, during a fiscal period of the partnership ending in the particular year, an amount relating to those acquisition costs, in respect of which the taxpayer is deemed, under section 1029.8.21.6, to have paid an amount, in relation to the taxpayer's share of those costs, for a taxation year preceding the particular year, is, in whole or in part, directly or indirectly, repaid to the partnership or allocated to a payment to be made by the partnership, the amount obtained by applying to the taxpayer's share of the amount so repaid or allocated the percentage applied to the taxpayer's share of the amount of the acquisition costs for the particular taxation year under section 1029.8.21.6; and

(*c*) where paragraph *a* does not apply in the particular year nor has been applied to a preceding taxation year in relation to the property and, in the particular year, an amount relating to those acquisition costs, in respect of which the taxpayer is deemed, under section 1029.8.21.6, to have paid an amount in relation to the taxpayer's share of those costs, for a taxation year preceding the particular year, is, in whole or in part, directly or indirectly, repaid to the taxpayer or allocated to a payment to be made by the taxpayer, the amount obtained by applying to the amount so repaid or allocated the percentage applied to the taxpayer's share of the amount of the acquisition costs for the particular taxation year under section 1029.8.21.6.

For the purposes of the first paragraph, the taxpayer's share of an amount repaid or allocated is equal to such proportion of that amount as the share of the taxpayer of the income or loss of the partnership for the fiscal period of that partnership ending in the particular taxation year is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000.

"**1129.33.4.** For the purposes of Part I, except Division II.4.1 of Chapter III.1 of Title III of Book IX, the following rules apply:

(*a*) tax paid to the Minister by a taxpayer at any time, under section 1129.33.2, in relation to property is deemed to be an amount of assistance repaid by the taxpayer at that time in respect of the property, pursuant to a legal obligation to do so; and

(*b*) tax paid to the Minister by a taxpayer at any time, under section 1129.33.3, in relation to property is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of that property, pursuant to a legal obligation to do so.

"**1129.33.5.** Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549,

sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part."

(2) Subsection 1 has effect from 26 March 1997.

294. (1) Section 1129.58 of the said Act, enacted by section 268 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**1129.58.** Except where inconsistent with this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply, with the necessary modifications, to this Part."

(2) Subsection 1 applies from 1 January 1998.

295. (1) Section 1130 of the said Act, amended by section 192 of chapter 1 of the statutes of 1995, by section 237 of chapter 63 of the statutes of 1995, by section 271 of chapter 39 of the statutes of 1996, by section 66 of chapter 3 of the statutes of 1997, by section 269 of chapter 14 of the statutes of 1997 and by section 136 of chapter 31 of the statutes of 1997, is again amended

(1) by inserting the following definition in the appropriate alphabetical order:

""filing-due date" means a filing-due date within the meaning assigned by section 1;";

(2) by replacing the definition of "loan corporation" by the following definition:

""loan corporation" means

(*a*) a corporation, other than a trust corporation, authorized by the legislation of Canada or of a province to accept deposits from the public;

(*b*) a corporation all or substantially all of the assets of which are shares or debts of corporations referred to in Title II of Book III to which it is related;

(*c*) a corporation recognized by the Minister under section 1143.1 and whose recognition is in effect;".

(2) Subsection 1 has effect from 26 March 1997. In addition, where, because it is, on 25 March 1997, a prescribed corporation under any of paragraphs *b* to *z* of section 1130R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), a corporation is a loan corporation for its taxation year that includes that date, the corporation is deemed to have filed, under section 1143.1 of that Act, enacted by section (*insert the section number in this Act that enacts section 1143.1 of the Taxation Act*), an application in writing with the Minister after 25 March 1997 and the corporation is deemed

to have been recognized by the Minister, under that section 1143.1, as a loan corporation from its taxation year that includes 25 March 1997.

296. (1) Section 1137 of the said Act, amended by section 242 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997, by section 274 of chapter 14 of the statutes of 1997 and by section 137 of chapter 31 of the statutes of 1997, is again amended

(1) by replacing, in subparagraph i of paragraph *b*.2, the words "filing-due date, within the meaning assigned by section 1," by the words "filing due-date";

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

"(*b*.3) subject to the first paragraph of section 1137.2, where the corporation is the owner at the end of a taxation year of property described in the first paragraph of section 1137.5 and where that year is the year in which it acquired the property or the year following that year, an amount equal to the amount by which the aggregate of the costs it incurred to acquire the property in the year in which it acquired the property, except an amount incurred with a person with whom the corporation or a specified shareholder of the corporation does not deal at arm's length, that are related to a business carried on by the corporation in the year in Québec, and that are included, at the end of that year, in the capital cost of the property, exceeds the aggregate of all amounts each of which is an amount of any government assistance or non-government assistance attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year;

"(*b*.4) subject to the second paragraph of section 1137.2, where the corporation is, at the end of a taxation year, the owner of property described in the first paragraph of section 1137.5 as a consequence of the transfer of the property to the corporation in any of the circumstances described in section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), by a corporation, referred to as the "transferor" in this paragraph and in the second paragraph of section 1137.2, and the transferor would have been, had it been the owner of the property at the end of that year, entitled to deduct under paragraph *b*.3 an amount in computing its paid-up capital in respect of the property for its taxation year that includes the time of the transfer, an amount equal to the amount by which the amount that the transferor would have been entitled to so deduct in respect of the property under that paragraph *b*.3 in computing its paid-up capital for the year that includes the time of the transfer, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to the property, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for its taxation year;".

(2) Subsection 1 has effect from 26 March 1997.

297. (1) The said Act is amended by inserting, after section 1137.1, enacted by section 275 of chapter 14 of the statutes of 1997, the following sections:

"**1137.2.** A corporation may deduct, under paragraph *b*.3 of section 1137, an amount in computing its paid-up capital for a taxation year referred to therein, in respect of property referred to therein, only if, where the property is described in subparagraph *c* of the first paragraph of section 1137.5 and where it is acquired by the corporation for the carrying on of an activity described in subparagraph *d* of the second paragraph of that section, the corporation holds at the end of the year a validation certificate issued by Tourisme Québec certifying that the recreational facilities it operates are conducive to promoting tourism in Québec and if it encloses a copy of the validation certificate with its fiscal return it is required to file for the year under section 1000, because of section 1145.

For the purposes of paragraph *b*.4 of section 1137, the following rules apply:

(*a*) a corporation may deduct, under that paragraph *b*.4, an amount in computing its paid-up capital for a taxation year referred to therein and in respect of property referred to therein, only if, where the property is property described in subparagraph *c* of the first paragraph of section 1137.5 and where it was acquired by the transferor referred to in that paragraph *b*.4 for the carrying on of an activity described in subparagraph *d* of the second paragraph of that section 1137.5, the corporation encloses a copy of the validation certificate issued by Tourisme Québec to the transferor in respect of that activity with its fiscal return it is required to file for the year under section 1000, because of section 1145; and

(*b*) a corporation may deduct an amount, under that paragraph *b*.4, in respect of property referred to therein, in computing its paid-up capital for a particular taxation year referred to therein only if the particular year is

i. where the transferor's taxation year that includes the time of the transfer referred to in that paragraph *b*.4 is the year in which it acquired the property, the corporation's taxation year that includes the time of the transfer and the year following that year, or

ii. where the transferor's taxation year includes the time of the transfer referred to in that paragraph *b*.4, follows the year in which the transferor acquired the property, the corporation's taxation year that includes the time of the transfer.

"**1137.3.** Where, at a particular time, a corporation in a taxation year pays a particular amount, in relation to property, that may reasonably be considered to be the repayment of particular assistance that reduced, pursuant to paragraph *b*.3 or *b*.4 of section 1137, the amount that the corporation, or a corporation from which it acquired the property, was entitled to deduct, in

respect of the property, in computing its paid-up capital under those paragraphs, the following rules apply:

(*a*) the particular amount is deemed to have been incurred at that particular time by the corporation as costs, in the year in which it paid the particular amount, to acquire property described in the first paragraph of section 1137.5 which it owned at the end of the year;

(*b*) the corporation may deduct the particular amount in computing its paid-up capital for a taxation year

i. that is, where the particular assistance reduced an amount that could have been deducted, pursuant to paragraph *b*.3 or *b*.4 of section 1137, for the taxation year in which the property was acquired by the corporation or, where paragraph *b*.4 applies, by the transferor referred to therein, the year in which it paid the particular amount or the year following that year, or

ii. that is, where the assistance reduced an amount that could have been deducted, pursuant to paragraph *b*.3 or *b*.4 of section 1137, for the taxation year following the year in which the property was acquired by the corporation or, where paragraph *b*.4 applies, by the transferor referred to therein, the year in which it pays the particular amount; and

(*c*) the amount that the corporation deducts, for a particular taxation year, from its paid-up capital under subparagraph *b* is deemed to have been deducted by the corporation under paragraph *b*.3 of section 1137 in computing its paid-up capital for that particular year.

For the purposes of the first paragraph, an amount is deemed to be an amount paid, at a particular time, as repayment of assistance by a corporation, where

(*a*) it reduced, because of paragraphs *b*.3 and *b*.4 of section 1137, the amount deductible by the corporation under either of those paragraphs in computing its paid-up capital for a taxation year;

(*b*) it has not been received by the corporation; and

(*c*) it ceased, at the particular time, to be an amount the corporation may reasonably expect to receive.

"**1137.4.** Notwithstanding paragraphs *b*.3 and *b*.4 of section 1137, no deduction shall be made for a taxation year, in relation to property described in the first paragraph of section 1137.5, in respect of costs incurred to acquire the property, where

(*a*) in the case where the property is described in subparagraph *c* of the first paragraph of section 1137.5 and was acquired in connection with an activity described in subparagraph *d* of the second paragraph of that section 1137.5, the validation certificate issued by Tourisme Québec in respect of that activity

is revoked on or before the filing-due date for that year of the purchaser of the property that is the owner of the property at the end of that year;

(*b*) at any time before the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances described in section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), and the filing-due date, for that taxation year, of the purchaser that is the owner of the property at the end of that year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income for a business carried on

i. by the first purchaser of the property and where that time is also in the portion of that period in which the first purchaser owns the property, or

ii. by a subsequent purchaser of the property that acquired the property in any of the circumstances described in section 130R71 of the Regulation respecting the Taxation Act, and where that time also is in the portion of that period in which the subsequent purchaser owns the property.

"**1137.5.** The property to which paragraphs *b*.3 and *b*.4 of section 1137 refer is any property acquired after 25 March 1997 and before 1 January 1999, excluding property acquired pursuant to an obligation in writing entered into before 26 March 1997 or the construction of which, as the case may be, by or on behalf of the purchaser, had begun by 25 March 1997, or after 31 December 1998 and before 1 January 2000 if the property is acquired pursuant to an obligation in writing entered into before 1 January 1999 or if the construction of the property, as the case may be, by or on behalf of the purchaser, had begun before 1 January 1999, and that is

(*a*) property referred to in subparagraph *b* of the second paragraph of Class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), if, before its acquisition, it was not used for any purpose or acquired to be used or leased for any purpose whatever;

(*b*) a building situated in Québec or part of such a building in respect of which an amount would be included, but for section 93.6, in computing the undepreciated capital cost of the depreciable property of a prescribed class and that

i. before its acquisition, was not used for any purpose or acquired to be used or leased for any purpose whatever, and

ii. is used, directly or indirectly, mainly to manufacture or process items for sale or lease or is intended to be so used, and

iii. is leased in the normal course of carrying on the business of the purchaser to a lessee that may reasonably be considered to be using it, directly or indirectly, mainly to manufacture or process items for sale or lease or intended to be so used;

(*c*) equipment or a building situated in Québec or part of such a building, in respect of which an amount would be included, but for section 93.6, in computing the undepreciated capital cost of the depreciable property of a prescribed class, if the equipment or building or the part of the building

i. before its acquisition by the corporation, was not used for any purpose or acquired to be used or leased for any purpose whatever,

ii. is used, directly or indirectly, mainly as part of an activity described in the second paragraph or is intended to be so used, and

iii. is leased in the normal course of carrying on the business of the purchaser to a lessee that may reasonably be considered to be using it, directly or indirectly, mainly as part of an activity described in the second paragraph or intended to be so used.

An activity referred to in subparagraph ii or iii of subparagraph *c* of the first paragraph is

(*a*) the operation of a lodging establishment, within the meaning of the regulations under the Tourist Establishments Act (chapter E-15.1), situated in Québec, with the exception of an educational institution, within the meaning of those regulations;

(*b*) the carrying on in Québec, for recreational purposes, of a business consisting in renting boats, airplanes or vehicles other than automobiles;

(*c*) the carrying on of a business consisting in offering holiday packages in Québec, including lodging and transportation in Québec as well as related recreational activities; or

(*d*) the carrying on of recreational activities in Québec in respect of which Tourisme Québec has issued a validation certificate certifying that the recreational facilities are conducive to promoting tourism in Québec, except the following facilities:

i. a cinema or a drive-in,

ii. an amusement arcade,

iii. a bowling alley,

iv. a skating rink,

v. a sports club,

vi. a pool,

vii. a bingo hall,

viii. a casino,

ix. a community centre,

x. a playground,

xi. a private club.

"**1137.6.** Where a particular corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for a particular taxation year, government assistance or non-government assistance, attributable to particular property referred to in paragraph *b*.3 or *b*.4 of section 1137 and that is owned by a partnership in which the particular corporation has an interest at the end of the fiscal period of the partnership ending in the particular year, the partnership is deemed, for the purposes of those paragraphs *b*.3 and *b*.4 and for the purpose of determining the amount the particular corporation is required to include in computing its paid-up capital, because of subsection 3 of section 1136, in respect of its interest in the partnership, to have received, to be entitled to receive or to reasonably expect to receive, at the end of that fiscal period, the assistance attributable to the particular property in an amount equal to the product obtained by multiplying the amount of that assistance by the quotient obtained by dividing 1 by the proportion determined, pursuant to subsection 3 of that section 1136, in respect of the particular corporation, in relation to its interest in the partnership, for that particular year.

"**1137.7.** Subject to any special provision of this Part, where, in respect of particular costs, an amount is deducted under any of paragraphs *b*.2 to *b*.4 of section 1137, by a corporation in computing its paid-up capital for a taxation year, no other deduction may be made by the corporation, for any taxation year under any other of those paragraphs, in respect of all or part of a cost or expenditure, included in the particular costs."

(2) Subsection 1 has effect from 26 March 1997.

298. (1) Section 1138 of the said Act, amended by section 194 of chapter 1 of the statutes of 1995, by section 243 of chapter 63 of the statutes of 1995, by section 71 of chapter 3 of the statutes of 1997 and by section 276 of chapter 14 of the statutes of 1997, is again amended

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

"(*a*) the value of its investments in shares and bonds of other corporations, except a corporation described in section 1138.0.0.1;

"(*b*) the amount of loans and advances to other corporations, except a corporation described in section 1138.0.0.1;";

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

"(2.0.1) Investments in shares and bonds of a corporation described in section 1138.0.0.2, and loans and advances to such a corporation, except an investment, a loan or an advance that is held without interruption by the corporation throughout the 120-day period ending immediately before the end of its taxation year, are deemed not to be investments in shares and bonds of other corporations or loans or advances to other corporations.";

(3) by replacing the portion of subsection 3 before paragraph *a* by the following:

"(3) The amount of the assets of a corporation is that shown in the corporation's financial statements, after deduction of the provisions and reserves for amortization or depletion, of the reserve for doubtful debts provided it was deducted in computing income under Part I, and of any amount deducted in computing the corporation's paid-up capital under paragraph *b* or *b*.1 of section 1137, to which is added".

(2) Paragraphs 1 and 2 of subsection 1 apply to taxation years that begin after 25 March 1997.

(3) Paragraph 3 of subsection 1 applies to taxation years that end after 16 May 1989.

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

"**1138.0.0.1.** A corporation to which paragraphs *a* and *b* of subsection 1 of section 1138 refer is

(*a*) a corporation that is exempt from capital tax under section 1143 or paragraph *a* of section 1144, other than a corporation that carries on commercial or industrial activities;

(*b*) a corporation to which paragraph *a* would apply if it had an establishment in Québec;

(*c*) a municipality in a foreign country or a public body in a foreign country performing a function of government; or

(*d*) a corporation not less than 90% of the shares of which are owned by the government of a foreign country, by a political subdivision of a foreign country or by an entity referred to in paragraph *c*, and a wholly-owned

corporation subsidiary to such a corporation, other than such a corporation or wholly-owned subsidiary corporation where

i. another person has any right to, or to acquire, shares of that corporation or wholly-owned subsidiary corporation, as the case may be, or

ii. the corporation or wholly-owned subsidiary corporation, as the case may be, carries on commercial or industrial activities.

"**1138.0.0.2.** A corporation to which paragraph 2.0.1 of section 1138 refers is

(*a*) a prescribed corporation for the purposes of the first paragraph of section 1143;

(*b*) a corporation exempted by section 192 from the application of section 985;

(*c*) a corporation that is exempt from capital tax under section 1143 or paragraph *a* of section 1144 and that carries on commercial or industrial activities;

(*d*) a corporation to which paragraph *c* would apply if it had an establishment in Québec; or

(*e*) a corporation at least 90% of the shares of which are owned by the government of a foreign country, by a political subdivision of a foreign country, by a municipality in a foreign country or by a public body in a foreign country performing a function of government, and a wholly-owned corporation subsidiary to such a corporation, where

i. another person has any right to, or to acquire, shares of that corporation or wholly-owned subsidiary corporation, as the case may be, or

ii. the corporation or wholly-owned subsidiary corporation, as the case may be, carries on commercial or industrial activities."

(2) Subsection 1 applies to taxation years that begin after 25 March 1997.

300. Section 1138.0.1 of the said Act, amended by section 244 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by adding, after the second paragraph, the following paragraph:

"Notwithstanding the first paragraph, the amount deductible by a qualified corporation whose first taxation year begins after 25 March 1997 in computing its paid-up capital under this section, for its taxation year that includes the last day of its exemption period, within the meaning assigned by section 771.1, is equal to the proportion of $2,000,000 that the number of days in the year included in the exemption period is of the number of days in the year."

301. (1) The said Act is amended by inserting, after section 1138.2, the following section:

"**1138.2.1.** The paid-up capital, for a taxation year, of a corporation that is an exempt corporation for the year, within the meaning of sections 771.12 and 771.13, shall be reduced by an amount equal to its paid-up capital for that year, computed before the application of this section.

Notwithstanding the first paragraph, the amount deductible by an exempt corporation in computing its paid-up capital under this section, for its taxation year that includes the last day of its eligibility period, within the meaning assigned by section 771.1, is equal to the proportion of its paid-up capital for that year computed before the application of this section that the number of days in the year included in that eligibility period is of the number of days in the year."

(2) Subsection 1 applies to taxation years that begin after 25 March 1997.

302. Section 1141.3 of the said Act, amended by section 252 of chapter 63 of the statutes of 1995 and by section 71 of chapter 3 of the statutes of 1997, is again amended by adding, after the second paragraph, the following paragraph:

"Notwithstanding the first paragraph, the amount deductible by a qualified corporation whose first taxation year begins after 25 March 1997 in computing its paid-up capital under this section, for its taxation year that includes the last day of its exemption period, within the meaning assigned by section 771.1, is equal to the proportion of $2,000,000 that the number of days in the year included in the exemption period is of the number of days in the year."

303. (1) The said Act is amended by inserting, after section 1143, the following sections:

"**1143.1.** The Minister may, where a corporation applies therefor in writing, recognize a corporation as a loan corporation from the date or the taxation year, as the case may be, indicated by the Minister in a letter sent to the corporation.

"**1143.2.** The Minister may revoke the recognition of a corporation as a loan corporation if the Minister considers that the conditions determined by the Minister to maintain the recognition are no longer met by the corporation, or if the corporation makes a request that the recognition be revoked.

The revocation takes effect from the date or the taxation year, as the case may be, indicated by the Minister in the notice sent to the corporation by the Minister."

(2) Subsection 1 has effect from 26 March 1997. In addition, where a corporation having applied with the Minister of Finance before 26 March 1997 to be recognized as a loan corporation did not obtain or was not refused

such recognition on that date, the corporation is deemed, for the purposes of section 1143.1 of the said Act, enacted by subsection 1, to have filed, under the said section 1143.1, the application in writing with the Minister of Revenue as a loan corporation.

304. (1) Section 1166 of the said Act, amended by section 196 of chapter 1 of the statutes of 1995, by section 68 of chapter 3 of the statutes of 1997 and by section 285 of chapter 14 of the statutes of 1997, is again amended, in the first paragraph,

(1) by inserting the following definition in the appropriate alphabetical order:

""establishment" has the meaning assigned by section 1;";

(2) by striking out, in the definition of "carrying on business in Québec", the words "within the meaning of section 1";

(3) by inserting the following definition in the appropriate alphabetical order:

""Minister" means the Minister of Revenue;".

(2) Paragraphs 1 and 2 of subsection 1 are declaratory, except in respect of cases pending on 28 January 1997 and notices of objection served on the Minister of Revenue on or before that date, in which a ground in the dispute, expressly raised on or before that date in the motion for appeal or notice of objection previously served on the Minister of Revenue, or in the notice of objection, as the case may be, alleges that a premium due in respect of liability insurance covering in whole or in part the realization of a risk in Québec and subscribed by an underwriter resident or having an establishment in Québec is not deemed to be a premium payable with respect to business in Québec for the purposes of section 1167 of the Taxation Act.

305. (1) Section 1167 of the said Act, amended by section 197 of chapter 1 of the statutes of 1995 and by section 69 of chapter 3 of the statutes of 1997, is again amended by replacing the third paragraph by the following paragraph:

"For the purposes of this section, any premium due in respect of the following is deemed to be a premium payable with respect to business in Québec:

(*a*) the insurance of a person resident in Québec if the person is resident in Québec at the time the premium falls due;

(*b*) the insurance of property situated in Québec if the property is situated in Québec at any time during the term of the insurance contract;

(*c*) liability insurance subscribed by an underwriter resident or having an establishment in Québec, where the insurance covers in whole or in part the realization of a risk in Québec."

(2) Subsection 1 is declaratory, except in respect of cases pending on 28 January 1997 and notices of objection served on the Minister of Revenue on or before that date, in which a ground in the dispute, expressly raised on or before that date in the motion for appeal or notice of objection previously served on the Minister of Revenue, or in the notice of objection, as the case may be, alleges that a premium due in respect of liability insurance covering in whole or in part the realization of a risk in Québec and subscribed by an underwriter resident or having an establishment in Québec is not deemed to be a premium payable with respect to business in Québec for the purposes of section 1167 of the Taxation Act.

306. (1) Section 1170 of the said Act, amended by section 273 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**1170.** For the purposes of section 1167, a corporation may deduct from the premiums payable the return premiums and the cash value of the dividends paid or credited to policyholders to the extent that such return premiums and dividends are in respect of risks covered by the insurance of persons resident in Québec, the insurance of property situated in Québec or a liability insurance subscribed by an underwriter resident or having an establishment in Québec.

The corporation may not, however, deduct from the premiums payable payment to the insured of cash surrender or loan values."

(2) Subsection 1 is declaratory, except in respect of cases pending on 28 January 1997 and notices of objection served on the Minister of Revenue on or before that date, in which a ground in the dispute, expressly raised on or before that date in the motion for appeal or notice of objection previously served on the Minister of Revenue, or in the notice of objection, as the case may be, alleges that a premium due in respect of liability insurance covering in whole or in part the realization of a risk in Québec and subscribed by an underwriter resident or having an establishment in Québec is not deemed to be a premium payable with respect to business in Québec for the purposes of section 1167 of the Taxation Act.

307. Section 1171 of the said Act, amended by section 272 of chapter 39 of the statutes of 1996 and by section 71 of chapter 3 of the statutes of 1997, is again amended by replacing the words "Minister of Revenue" wherever they appear therein by the word "Minister".

308. (1) The said Act is amended by inserting, after section 1175.19, enacted by section 286 of chapter 14 of the statutes of 1997, the following:

"PART VI.2

"SPECIAL TAX RELATING TO A DEDUCTION IN COMPUTING PAID-UP CAPITAL

"**1175.20.** In this Part,

"filing-due date" has the meaning assigned by section 1;

"fiscal period" has the meaning assigned by Part I;

"Minister" means the Minister of Revenue;

"taxation year" has the meaning assigned by Part I.

"**1175.21.** Any corporation that, in relation to property described in the first paragraph of section 1137.5, has deducted for any taxation year, under paragraph *b*.3 or *b*.4 of section 1137 and, where the corporation is a member of a partnership, because of subsection 3 of section 1136, an amount in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for the year under that Part, shall pay, for a particular taxation year, tax equal to the amount obtained by applying the appropriate rate determined in section 1132 for the purpose of computing the tax payable by the corporation for that taxation year to the amount equal to

(*a*) the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation under either of those paragraphs in computing its paid-up capital determined under Part IV, in respect of that property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax payable by the corporation under this section, in respect of that property, for a taxation year preceding the particular year, where

i. at any time between the corporation's filing-due date for the preceding taxation year and the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances described in section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), and the filing-due date, for the particular year, of the purchaser that is the owner of the property at the end of the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income for a business carried on

(1) by the first purchaser of the property and where that time is also in the portion of that period in which the first purchaser owns the property; or

(2) by a subsequent purchaser of the property that acquired the property in any of the circumstances described in section 130R71 of the Regulation

respecting the Taxation Act, and where that time also is in the portion of that period in which the subsequent purchaser owns the property, or

ii. if the property is property described in subparagraph *c* of the first paragraph of section 1137.5 and if the property was acquired for the carrying on of an activity described in subparagraph *d* of the second paragraph of that section, on or before the corporation's filing-due date for the particular year, the validation certificate issued in relation to that activity is revoked;

(*b*) where subparagraph *a* does not apply in the particular year or a preceding taxation year in relation to that property and, in the particular year, an amount relating to the costs for the acquisition of the property, or to its part of such costs, in respect of which the corporation has deducted an amount for a taxation year preceding the particular year, is, in whole or in part, directly or indirectly, repaid to the corporation or allocated to a payment to be made by the corporation, to the amount so repaid or allocated; or

(*c*) where the corporation is a member of a partnership, it has deducted an amount in computing its paid-up capital for a taxation year, because of subsection 3 of section 1136 and paragraphs *b*.3 and *b*.4 of section 1137, in respect of its share of the costs incurred to acquire the property by the partnership in a fiscal period of the partnership and in a subsequent fiscal period of the partnership ending in the particular year, an amount relating to the costs is, in whole or in part, directly or indirectly, repaid to the partnership or allocated to a payment to be made by the partnership, to the amount so repaid or allocated.

For the purposes of subparagraph *c* of the first paragraph, the corporation's share of an amount repaid or allocated is equal to such proportion of that amount as the share of the corporation of the income or loss of the partnership for the fiscal period of the partnership ending in the particular taxation year is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000.

"**1175.22.** Except where inconsistent with this Part, sections 17 to 21 and 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part."

(2) Subsection 1 has effect from 26 March 1997.

309. (1) Section 1183 of the said Act is replaced by the following section:

"**1183.** Subject to section 1184.1, every taxpayer may deduct from the tax payable by the taxpayer under Part I for a taxation year, one-third of the tax paid or, but for paragraph *a* of section 1184, that would be payable by the taxpayer for that taxation year under this Part."

(2) Subsection 1 applies from the taxation year 1998.

310. (1) Section 1184 of the said Act is amended by replacing paragraph *b* by the following paragraph:

"(*b*) in any other case, subject to section 1184.1, the excess must be applied to reduce, in addition to the amount provided for in section 1183, the tax otherwise payable under Part I, for the year or for any subsequent taxation year."

(2) Subsection 1 applies from the taxation year 1998.

311. (1) The said Act is amended by inserting, after section 1184, the following section:

"**1184.1.** Where a taxpayer is an individual to whom the rules in Book V.2.1 of Part I apply for a taxation year, no amount of the taxpayer's tax payable under that Part for that taxation year may be deducted, under section 1183, and no amount may be applied, under paragraph *b* of section 1184, to reduce the taxpayer's tax otherwise payable under that Part for that taxation year."

(2) Subsection 1 applies from the taxation year 1998.

312. (1) Section 1186.2 of the said Act, enacted by section 289 of chapter 14 of the statutes of 1997, is amended by replacing paragraph *a* by the following paragraph:

"(*a*) where the person is an individual, 0.3% of the aggregate of the individual's tax under Part I for the year; or".

(2) Subsection 1 applies from the taxation year 1998.

313. (1) Section 1186.4 of the said Act, enacted by section 289 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**1186.4.** A person is not required to make, pursuant to section 1025 or 1026 or subparagraph *a* of the first paragraph of section 1027, as the case may be, a partial payment of the person's contribution payable for a taxation year under this Part if the person is not required, under Part I, to make such a payment of the person's tax payable under that Part and, where applicable, of the person's tax payable under Part IV, for that year."

(2) Subsection 1 applies from the taxation year 1998.

314. (1) Section 1186.5 of the said Act, enacted by section 289 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**1186.5.** The Minister shall pay the contributions referred to in section 1186.2 into the fund to combat poverty through reintegration into the labour market established under the Act to establish a fund to combat poverty through reintegration into the labour market (1997, chapter 28)."

(2) Subsection 1 has effect from 12 June 1997.

315. (1) The said Act, amended by chapters 21 and 40 of the statutes of 1994, by chapters 1, 18, 36, 49 and 63 of the statutes of 1995, by chapters 31 and 39 of the statutes of 1996 and by chapters 3, 14, 31 and 63 of the statutes of 1997, is again amended

(1) by striking out, in the French text, the words "constituée en société" in the following provisions:

— subparagraph *c* of the second paragraph of section 114;
— the portion of the first paragraph of section 274 before subparagraph *a*;
— the portion of the first paragraph of section 274.0.1 before subparagraph *a*;
— paragraph *b* of the definition of "habitation admissible" in the first paragraph of section 935.1;
— subparagraph ii of paragraph *d*.1 of the definition of "montant admissible" in the first paragraph of section 935.1;
— subparagraph *a*.1 of the first paragraph of section 935.2;

(2) by replacing, in the French text, the word "déboursé" or "déboursés", as the case may be, by the word "débours" wherever it appears in the following provisions:

— section 128;
— subparagraphs i and ii of paragraph *b* of section 279;
— section 420;
— the first paragraph of section 427.4;
— paragraph *b* of section 771.4;

(3) by replacing "31 December 1998" by "31 December 2000" in the following provisions:

— the portion of subparagraph i of paragraph *a* of section 726.4.10 before subparagraph 1;
— paragraph *b* of section 726.4.12;
— subparagraph i of paragraph *d* of section 726.4.12;
— the portion of paragraph *a* of section 726.4.17.2 before subparagraph i;
— paragraph *b* of section 726.4.17.4;
— subparagraph i of paragraph *d* of section 726.4.17.4;

(4) by replacing "20%" by "23%" in the following provisions:

— the portion of section 752.0.10.6 before paragraph *a*;
— section 752.0.13.1;
— the first paragraph of section 752.0.13.1.1;

— section 752.0.13.4;
— the portion of section 752.0.14 before paragraph *a*;
— the portion of section 752.0.15 before paragraph *a*;
— the portion of section 752.0.18.1 before paragraph *a*;
— the portion of section 752.0.18.3 before paragraph *a*;
— section 752.0.18.8;
— section 768;
— paragraph *a* of section 770;
— subparagraph *a* of the second paragraph of section 776.46;

(5) by replacing the words "spouse" and "spouse during" respectively by the words "eligible spouse for the year" and "eligible spouse for" in the following provisions:

— section 776.31;
— section 776.38;

(6) by replacing the word "gratuities" by the word "bonuses" in the following provisions:

— paragraph *i* of section 1029.8.1;
— the definition of "wages incurred" in section 1029.8.9.1;
— section 1029.8.9.1.1.

(2) Paragraphs 4 and 5 of subsection 1 apply from the taxation year 1998.

ACT RESPECTING THE APPLICATION OF THE TAXATION ACT

316. Section 41 of the Act respecting the application of the Taxation Act (R.S.Q., chapter I-4) is amended by replacing, in the French text, the word "déboursé" by the word "débours".

LICENSES ACT

317. Section 5 of the Licenses Act (R.S.Q., chapter L-3), replaced by section 264 of chapter 63 of the statutes of 1995, is again amended by adding the following paragraph:

"Notwithstanding the second paragraph, the regulations made during the year 1998 under this Act in respect of the reduction of the specific duty provided for in subparagraphs *d* and *e* of the first paragraph of section 79.11 may, once published and if they so provide, apply from 26 March 1997."

318. (1) Section 79.10 of the said Act, amended by section 265 of chapter 63 of the statutes of 1995 and by section 292 of chapter 14 of the statutes of 1997, is again amended

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

"(*a*) "retailer" means a holder of a permit authorizing the sale of alcoholic beverages for consumption on the premises, issued under the Act respecting liquor permits (chapter P-9.1), a reunion permit authorizing the sale of alcoholic beverages for consumption at the place indicated thereon, issued under that Act, a small-scale production permit issued under the Act respecting the Société des alcools du Québec (chapter S-13) or a brewer's permit issued under that Act;";

(2) by adding the following paragraph:

"Notwithstanding the definition of "supplier" in subparagraph *b* of the first paragraph, a person holding a brewer's permit or a small-scale production permit is deemed not to be a supplier where the person disposes of alcoholic beverages for consumption on the premises of the person's establishment."

(2) Subsection 1 has effect from 12 June 1997. However, for the period that begins on 5 July 1996 and ends on 11 June 1997, the second paragraph of section 79.10 of the Licenses Act, enacted by paragraph 2 of subsection 1, shall be read as follows:

"Notwithstanding the definition of "supplier" in subparagraph *b* of the first paragraph, a person holding a small-scale production permit is deemed not to be a supplier where the person disposes of alcoholic beverages for consumption on the premises of the person's establishment."

319. (1) Section 79.11 of the said Act, amended by section 200 of chapter 1 of the statutes of 1995 and by section 266 of chapter 63 of the statutes of 1995, is again amended

(1) by replacing, in subparagraphs *b*, *c*, *d* and *e* of the first paragraph, "6.5" by "7.5";

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

"However, in the case of any other alcoholic beverage made in Québec by a person referred to by regulation, the specific duty provided for in subparagraphs *d* and *e* of the first paragraph is reduced by the amount or percentage determined by regulation, on the terms and conditions provided for by regulation."

(2) Paragraph 1 of subsection 1 applies from 1 January 1998.

(3) Paragraph 2 of subsection 1 has effect from 26 March 1997 and applies in respect of any alcoholic beverage sold since that date.

320. (1) Section 79.11.1 of the said Act, replaced by section 293 of chapter 14 of the statutes of 1997, is again replaced by the following section:

"**79.11.1.** The duties provided for in paragraphs *b* and *d* of section 79.11 do not apply to alcoholic beverages acquired to be blended with alcoholic

beverages made by a retailer who is the holder of a brewer's permit, a small-scale production permit or a small-scale beer producer's permit issued under the Act respecting the Société des alcools du Québec (chapter S-13)."

(2) Subsection 1 has effect from 12 June 1997.

ACT RESPECTING THE MINISTÈRE DU REVENU

321. The Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by inserting, after section 1.2, enacted by section 76 of chapter 3 of the statutes of 1997, the following section:

"**1.3.** For the purposes of sections 14.4 to 14.7 and section 33, the rules provided for in section 2.2.1 of the Taxation Act (chapter I-3) apply, with the necessary modifications."

322. (1) Section 13 of the said Act, amended by section 81 of chapter 3 of the statutes of 1997, is again amended, in the English text of the third paragraph, by striking out the words ", as the case may be,".

(2) Subsection 1 has effect from 20 March 1997.

323. (1) Section 14 of the said Act, amended by sections 201 and 362 of chapter 1 of the statutes of 1995, by section 279 of chapter 63 of the statutes of 1995, by section 82 of chapter 3 of the statutes of 1997 and by section 294 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing, in the fourth paragraph, "1059 of the Taxation Act, and sections 1066 to 1079 of the said Act apply, with the necessary modifications, to the decision" by "93.1.6";

(2) by replacing, in the seventh paragraph, "1041, 1044, 1051 to 1062 and 1066 to 1079" by "1051 and 1052".

(2) Subsection 1 applies from 1 January 1998.

324. Section 14.7 of the said Act, amended by section 239 of chapter 49 of the statutes of 1995 and by section 83 of chapter 3 of the statutes of 1997, is again amended by replacing the words "living apart as a result of the breakdown" by the words "living separate and apart because of the breakdown".

325. Section 14.8 of the said Act is repealed.

326. (1) Section 15.6 of the said Act, amended by section 362 of chapter 1 of the statutes of 1995 and by section 279 of chapter 63 of the statutes of 1995, is replaced by the following section:

"**15.6.** Sections 1051 and 1052 of the Taxation Act (chapter I-3) apply, with the necessary modifications, to the amounts payable to the Minister

under sections 15 to 15.3 and 15.5, and sections 1005 to 1014 of the said Act apply, with the necessary modifications, to the amounts payable to the Minister under section 15.5."

(2) Subsection 1 applies from 1 January 1998.

327. Section 17.2 of the said Act, replaced by section 269 of chapter 63 of the statutes of 1995 and amended by section 87 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**17.2.** Every person who

(*a*) is not resident in Québec or would not, but for section 12 of the Act respecting the Québec sales tax, be resident in Québec, does not have, in Québec, a permanent establishment within the meaning assigned by paragraph 1 of the definition of "permanent establishment" in section 1 of that Act, and applies or is required to be registered for the purposes of that Act; or

(*b*) is not resident in Québec and applies for the issue of a registration certificate or permit under the Tobacco Tax Act (chapter I-2) or the Fuel Tax Act (chapter T-1) shall, at the request of the Minister, give and thereafter maintain security, of a value and in a form satisfactory to the Minister, that the person will pay or remit tax as required by any of those Acts."

328. (1) Section 21.1 of the said Act, replaced by section 10 of chapter 36 of the statutes of 1995 and amended by section 279 of chapter 63 of the statutes of 1995, is again amended by replacing "sections 1057 to 1079 of the Taxation Act (chapter I-3)" by "Chapters III.1 and III.2".

(2) Subsection 1 applies from 1 January 1998.

329. (1) Section 23 of the said Act, amended by section 16 of chapter 31 of the statutes of 1996, is again amended by replacing the first paragraph by the following paragraph:

"**23.** Every person who does not collect any duty that he was bound to collect as a mandatary of the Minister or does not withhold any duty that he was bound to withhold, under a fiscal law or a regulation made under such a law, shall become a debtor of Her Majesty in right of Québec for the amount of that duty, with the exception of the withholding provided for in section 1015 of the Taxation Act (chapter I-3), unless the withholding concerns an amount that a person was required to deduct from an amount paid to another person who is not resident in Canada for services performed in Québec otherwise than in the course of regular and continuous employment."

(2) Subsection 1 applies to payments made after 25 March 1997.

330. (1) Section 24.1 of the said Act, amended by section 362 of chapter 1 of the statutes of 1995 and by section 279 of chapter 63 of the statutes of 1995,

is again amended by replacing, in the third paragraph, "1041 and 1044, 1051 to 1062 and 1066 to 1079" by "1051 and 1052".

(2) Subsection 1 applies from 1 January 1998.

331. The said Act is amended by inserting, after section 30.4, enacted by section 301 of chapter 14 of the statutes of 1997, the following sections:

"30.5. Before making an assessment in respect of an amount for which a person is liable under the Act respecting the Québec sales tax (chapter T-0.1), the Minister shall, where the Minister determines that a person is entitled under that Act to a refund on the day on which the person became liable for that amount, allocate the refund to that amount, and a claim for the refund is in such case deemed to have been made on the day on which the person became liable for that amount.

The first paragraph does not apply where

(*a*) a claim was made and not refused in respect of the refund before the day on which the Minister made the assessment;

(*b*) on the day on which the Minister makes the assessment, the person is not entitled to the refund, whether the time for making the claim has expired or not; or

(*c*) the person waives application of this section.

"30.6. Where the Minister determines a refund pursuant to the Act respecting the Québec sales tax (chapter T-0.1), the Minister must, after proceeding with the allocation under section 30.5, where applicable, allocate the remainder to the payment of an amount in respect of which that person was liable under that Act on or before the day on which the person became liable for the amount referred to in section 30.5 or, in the case of a refund in relation to the determination of net tax and if no assessment referred to in section 30.5 has been made, on or before the day on which the return pertaining to that net tax was required to be filed. The claim for the refund in such case is deemed to have been made at that time.

After the allocation referred to in the first paragraph has been proceeded with, the remainder and the interest shall be allocated to the payment of an amount for which the person became liable under the Act respecting the Québec sales tax after the day referred to in the first paragraph unless, on the day on which the person became liable for the amount, the time for making a claim has expired.

For the purposes of the second paragraph, the time limit for claiming a rebate under section 400 of the Act respecting the Québec sales tax is deemed to be four years and, in the case of a refund under section 431 of that Act, the time limit for claiming that refund is deemed, in respect of a determined person, to be the time limit referred to in paragraphs 2 and 3 of that section.

After the allocation referred to in the second paragraph has been proceeded with, the remainder and the interest shall, subject to section 30.1, be allocated pursuant to section 31 or refunded to the person unless, on the day on which the refund is determined, the time for claiming the refund has expired.

For the purposes of the second and fourth paragraphs, interest on a refund is computed as if the refund had been claimed

(*a*) in the case of a refund in relation to the determination of net tax, on the day on which the net tax return was filed or the day on which the amount giving entitlement to the refund was paid, whichever day is later; and

(*b*) in the other cases, the day on which the person became liable for an amount under section 30.5.

This section does not apply where

(*a*) the assessment referred to in section 30.5 was made in the circumstances described in paragraph *a* of section 25.1; or

(*b*) the person waives application of this section."

332. Section 31 of the said Act is amended by replacing the fifth and sixth paragraphs by the following paragraphs:

"Subject to the third paragraph, where a person referred to in section 17.2 fails to comply with a request for security made by the Minister under section 17.2 or 17.4 or fails to maintain such security, the Minister may allocate any amount that the Minister is required to repay to that person pursuant to a fiscal law, to stand in lieu of security, up to the difference between the total amount of security required under sections 17.2 and 17.4 and the amount of security given and maintained under those sections, and give the person notice of it.

Where the Minister, by error or on the basis of inaccurate or incomplete information, has allocated to the payment of the person's debt or to stand in lieu of security an amount greater than that which the Minister should have allocated, the excess amount is deemed, from the allocation, to have reduced the person's debt or, as the case may be, to stand in lieu of security."

333. (1) Section 33 of the said Act is amended by adding, after the second paragraph, the following paragraph:

"Notwithstanding the first paragraph, the Minister may authorize a person to transfer a refund to the person who, at the end of the taxation year for which the person claims the refund, was that person's spouse."

(2) Subsection 1 applies from the taxation year 1998.

334. (1) Section 34 of the said Act, amended by section 242 of chapter 49 of the statutes of 1996, by section 96 of chapter 3 of the statutes of 1997 and by section 303 of chapter 14 of the statutes of 1997, is again amended by striking out subsection 3.

(2) Subsection 1 applies from 1 January 1998. In addition, where an agreement is entered into by an employer and an employee after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1), enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), it applies from the day on which that agreement is entered into.

335. (1) Section 35.4 of the said Act, replaced by section 20 of chapter 31 of the statutes of 1996, is amended by replacing "1066 and 1067 of the Taxation Act" by "93.1.10 and 93.1.13".

(2) Subsection 1 applies from 1 January 1998.

336. (1) Section 59 of the said Act, amended by section 306 of chapter 14 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

"**59.** Every person who fails to file a return or report as and when prescribed by a fiscal law, a regulation made under such a law or a ministerial order, or who fails to conform with a demand made under section 39, incurs a penalty of $25 for each day during which the failure continues, up to $2,500."

(2) Subsection 1 applies from 1 January 1998. In addition, where an agreement is entered into by an employer and an employee after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1), enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), it applies from the day on which that agreement is entered into.

337. (1) Section 59.1 of the said Act is replaced by the following section:

"**59.1.** Every person who fails to make the allocation prescribed in section 42.11 of the Taxation Act (chapter I-3) incurs a penalty of 50% of the amount that has not been allocated."

(2) Subsection 1 applies from the first pay period of the employer that begins after 31 December 1997.

338. (1) Section 60 of the said Act, amended by section 309 of chapter 14 of the statutes of 1997, is again amended by striking out the words ", or fails to furnish the register mentioned in subsection 3 of section 34".

(2) Subsection 1 applies from 1 January 1998. In addition, where an agreement is entered into by an employer and an employee after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1), enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), it applies from the day on which that agreement is entered into.

339. Section 61 of the said Act is amended by replacing the first two lines by the following:

"**61.** Every person who contravenes sections 20, 34, 35 to 35.5, 38, 39, 43 or section 1015 of the Taxation Act".

340. (1) Section 87 of the said Act, amended by section 32 of chapter 31 of the statutes of 1996, is again amended by replacing, in the first paragraph, "1059 of the Taxation Act" by "93.1.6".

(2) Subsection 1 applies from 1 January 1998.

341. (1) Section 93 of the said Act is amended by replacing, in the second paragraph, "1066 of the Taxation Act (chapter I-3)" by "93.1.10".

(2) Subsection 1 applies from 1 January 1998.

342. (1) The said Act is amended by inserting, after section 93.1, the following:

"**CHAPTER III.1**

"OBJECTION TO AN ASSESSMENT

"**93.1.1.** A person may object to an assessment under a fiscal law by notifying to the Minister, on or before the day that is 90 days after the day of mailing of the notice of assessment, a notice of objection setting out the reasons for the objection and all relevant facts.

In the case of an assessment under the Taxation Act (chapter I-3) or a contribution relating to an amount payable under section 34.1.1 of the Act respecting the Régie de l'assurance-maladie du Québec (chapter R-5), or in the case of taxation relating to self-employed earnings under the Act respecting the Québec Pension Plan (chapter R-9), an individual or a testamentary trust may also object to an assessment or contribution for a taxation year within one

year after the individual's filing-due date, within the meaning of section 1 of the Taxation Act, for that year.

"**93.1.2.** A person who objects to an assessment described in the second paragraph shall specify in the notice of objection the issue in dispute, the amount in dispute for each issue and the grounds for objection and shall provide all the relevant facts.

An assessment to which the first paragraph refers is

(*a*) an assessment made under the Taxation Act (chapter I-3) in respect of a person who is a corporation the gross revenue of which and that of any other corporation to which the corporation is related, within the meaning of section 19 of that Act, amount to a total that exceeds $20,000,000 for the taxation year;

(*b*) an assessment relating to amounts payable pursuant to the Act respecting the Québec sales tax (chapter T-0.1) in respect of

i. a specified financial institution within the meaning of section 1 of that Act; and

ii. a person, other than a charity during the period in dispute, whose threshold amount determined in accordance with section 462 of that Act exceeds $6,000,000 for both the fiscal year that includes the period in dispute and the person's preceding fiscal year.

However, where the notice of objection does not include the information required, the Minister may accept the objection if the person provides the Minister with the information in writing within 60 days of the Minister's request.

"**93.1.3.** Where a person has not objected to an assessment within the time specified in section 93.1.1 and not more than one year has elapsed after the day of mailing of the notice of assessment, the person may apply in writing to the Minister for an extension, setting out the reasons why the notice of objection was not notified within the specified time.

"**93.1.4.** The Minister shall, with dispatch, consider every application filed with the Minister under section 93.1.3, grant or refuse the application and notify the person of the decision.

The application shall be granted if the person demonstrates that it was impossible in fact for that person to act personally or to be represented by others and that the application was filed as soon as circumstances permitted.

The time for notifying the notice of objection may not be extended beyond the thirtieth day after the day of mailing of the Minister's decision.

"**93.1.5.** A person may, within 90 days after the day of mailing of the Minister's decision under section 93.1.4, apply to a judge of the Court of Québec for a review of the decision.

The judge shall grant the application if, in the judge's opinion, the person meets the conditions set out in sections 93.1.3 and 93.1.4, and the judge's decision is a final judgment of the Court of Québec within the meaning of the Code of Civil Procedure (chapter C-25).

"**93.1.6.** On receipt of a notice of objection, the Minister shall, with all due dispatch, reconsider the assessment and vacate, confirm or vary the assessment or make a reassessment, and send the Minister's decision to the person by mail.

"**93.1.7.** Section 93.1.1 does not apply to a reassessment under section 93.1.6 or to an assessment issued by virtue of the filing of a waiver under paragraph *b* of section 25.1 or under subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Taxation Act (chapter I-3), unless the waiver was filed within the period during which the Minister may reassess under section 25 or under any of paragraphs *a*, *a*.0.1 and *a*.1 of subsection 2 of that section 1010, as the case may be.

"**93.1.8.** Notwithstanding section 93.1.1, no person may notify a notice of objection to a reassessment or determination under any of sections 421.8, 710.3, 716.0.1, 752.0.10.4.1 and 752.0.10.15, subparagraph i of paragraph *a*.1 of subsection 2 of section 1010 or any of sections 1010.0.1, 1012, 1056.8 and 1079.16 of the Taxation Act (chapter I-3), except in respect of amounts to which those provisions apply.

However, the first paragraph does not apply where, at the time the notice of reassessment or determination is issued, an objection or appeal was made to an earlier assessment or determination or where the person's time for notifying a notice of objection or for filing an appeal in respect of an earlier assessment or determination had not expired.

"**93.1.9.** A reassessment made by the Minister under section 93.1.6 is not invalid by reason only of its not having been made within the period during which the Minister may reassess under section 25 or under any of paragraphs *a*, *a*.0.1 and *a*.1 of subsection 2 of section 1010 of the Taxation Act (chapter I-3), as the case may be.

"CHAPTER III.2

"APPEALS TO THE COURT OF QUÉBEC AND
THE COURT OF APPEAL

"**93.1.10.** Where a person has notified a notice of objection under section 93.1.1, the person may appeal to the Court of Québec sitting for the district in which the person resides or for the district of Québec or of Montréal,

according to the district in which the assessment would be appealable under article 30 of the Code of Civil Procedure (chapter C-25) if it were an appeal to the Court of Appeal, to have the assessment vacated or varied after either

(*a*) the Minister has confirmed the assessment or reassessed; or

(*b*) 180 days have elapsed after notification of the notice of objection and the Minister has not sent a decision by mail.

A person who has objected to an assessment referred to in the second paragraph of section 93.1.2 may appeal only in respect of the issues specified in the notice of objection.

"**93.1.11.** Section 93.1.10 does not apply in respect of an assessment issued by virtue of the filing of a waiver under paragraph *b* of section 25.1 or under subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Taxation Act (chapter I-3), unless the waiver was filed within the period during which the Minister may reassess under section 25 or under any of paragraphs *a*, *a*.0.1 and *a*.1 of subsection 2 of that section 1010, as the case may be.

"**93.1.12.** Notwithstanding section 93.1.10, no person may appeal from a reassessment or determination under any of sections 421.8, 710.3, 716.0.1, 752.0.10.4.1 and 752.0.10.15, subparagraph i of paragraph *a*.1 of subsection 2 of section 1010 or any of sections 1010.0.1, 1012, 1056.8 and 1079.16 of the Taxation Act (chapter I-3), except in respect of amounts to which those provisions apply.

However, the first paragraph does not apply where the second paragraph of section 93.1.8 is applicable.

"**93.1.13.** No appeal under section 93.1.10 may be instituted after the expiry of 90 days following the day on which a decision under section 93.1.6 was mailed to the person.

However, where the time specified in the first paragraph has expired and not more than one year has elapsed since the day of mailing of the decision referred to in section 93.1.6, a person may apply to a judge of the Court of Québec for an extension of the time limited by the first paragraph for appealing which may not go beyond the fifteenth day following the date of the judgment granting such extension.

The application shall be granted if the person demonstrates that it was impossible in fact for that person to act personally or to be represented by others and that the application was filed as soon as circumstances permitted.

The decision of the judge is a final judgment of the Court of Québec within the meaning of the Code of Civil Procedure (chapter C-25).

"**93.1.14.** An assessment shall not be vacated or varied on appeal by reason only of any irregularity, omission, informality in the notice of assessment or error on the part of any person in the observance of any non-peremptory provision of a fiscal law.

"**93.1.15.** An appeal may be brought before the Court of Québec from any decision of the Minister rendered under the Taxation Act (chapter I-3) or a regulation under that Act,

(*a*) refusing registration as a charitable organization, private foundation, public foundation or Canadian amateur athletic association, or giving notice that the Minister intends to revoke such registration;

(*b*) designating or refusing to designate a registered charity pursuant to section 985.4.3 of that Act;

(*c*) refusing registration of an education savings plan or a home ownership savings plan or revoking the registration of any such plan.

The appeal must be brought within 90 days from the decision of the Minister.

For the purposes of the first paragraph, "charitable organization", "private foundation" and "public foundation" have the meaning assigned by section 985.1 of the Taxation Act.

"**93.1.16.** For the purposes of section 93.1.15, the Minister is deemed to have refused an application for registration or an application for designation made under section 985.4.3 of the Taxation Act (chapter I-3), if the Minister has not disposed of the application within 180 days after the day of mailing of the application.

"**93.1.17.** An appeal before the Court of Québec is brought by means of a motion, three copies of which must be filed at the office of the Court.

Such motion and copies may also be filed by sending them, by registered or certified mail, to the clerk of the Court.

When the three copies of the motion have been filed and the amount of $90 provided for in section 93.1.18 has been paid, the clerk of the Court shall forthwith send two copies of the motion to the Minister.

"**93.1.18.** Upon the filing of the motion, the person shall pay to the clerk of the Court an amount of $90, which shall be repaid to the person if the person's appeal is wholly or partly successful.

In no case may the Court compel an individual to pay any additional costs.

"**93.1.19.** Unless otherwise provided in this chapter, the appeal and the hearing thereof shall be subject to the procedure governing ordinary actions before the Court of Québec.

"**93.1.20.** The appeal may be heard *in camera* if the person establishes to the satisfaction of the Court that the circumstances of the case justify *in camera* proceedings.

"**93.1.21.** The Court may dismiss the appeal or vacate the assessment, vary it or refer it to the Minister for reconsideration and reassessment.

"**93.1.22.** The clerk of the Court shall, within eight days from the decision on the appeal, send a copy of it, by registered or certified mail, to the Minister and the person.

A decision of the Court on an appeal is a final judgment of the Court of Québec within the meaning of the Code of Civil Procedure (chapter C-25).

"**93.1.23.** A final judgment of the Court of Québec rendered under this chapter is appealable.

The appeal shall be brought, heard and decided in accordance with the rules of the Code of Civil Procedure (chapter C-25), unless otherwise provided in this chapter.

Where, upon an appeal brought by the Deputy Minister otherwise than by means of an incidental appeal, the amount of tax in controversy is not more than $500, the Court of Appeal, when deciding the appeal, shall grant to the respondent the reasonable and justified expenses incurred by the respondent in respect of that appeal.

"**93.1.24.** An appeal or a summary appeal shall not prevent the recovery of the duties, interest and penalties that are the object of the appeal.

Payment of the amounts contested under this chapter is deemed made under protest.

"**93.1.25.** The deposits of $90 mentioned in this chapter shall be paid into the consolidated revenue fund and reimbursed out of such fund, when required under this chapter.

The same rule applies to the expenses referred to in section 93.1.23."

(2) Subsection 1 applies from 1 January 1998. However,

(1) where section 93.1.8 of the said Act, enacted by subsection 1, applies to payments of a child allowance provided for in the Act respecting family assistance allowances (R.S.Q., chapter A-17) that relate to a situation before

1 August 1997 or to payments of a newborn child allowance provided for in sections 8 to 12.1 of that Act, it shall be read as follows:

"**93.1.8.** Notwithstanding section 93.1.1, no person may notify to the Minister a notice of objection to a payment referred to in section 1056.1 of the Taxation Act (chapter I-3).

Similarly, no person may notify a notice of objection to a reassessment or determination under any of sections 421.8, 710.3, 716.0.1, 752.0.10.4.1 and 752.0.10.15, subparagraph i of paragraph *a*.1 of subsection 2 of section 1010 or any of sections 1010.0.1, 1012, 1056.8 and 1079.16 of the Taxation Act, except in respect of amounts to which those provisions apply.

However, the second paragraph does not apply where, at the time the notice of reassessment or determination is issued, an objection or appeal was made to an earlier assessment or determination or where the person's time for notifying a notice of objection or for filing an appeal in respect of an earlier assessment or determination had not expired.";

(2) where section 93.1.12 of the said Act, enacted by subsection 1, applies to payments of a child allowance provided for in the Act respecting family assistance allowances that relate to a situation before 1 August 1997 or to payments of a newborn child allowance provided for in sections 8 to 12.1 of that Act, it shall be read with the second paragraph replaced by the following paragraph:

"However, the first paragraph does not apply where the third paragraph of section 93.1.8 is applicable."

(3) Any objection or application filed, any assessment made or any decision or judgment rendered before 1 January 1998 under a provision repealed by sections (*insert the section number in this Act that repeals Title VII of Book IX of Part I of the Taxation Act*) and (*insert the section number in this Act that repeals Book X of Part I of the Taxation Act*) retains its effect and is deemed to be an objection or application filed, an assessment made, or a decision or judgment rendered under the equivalent provision enacted by subsection 1.

(4) In any Act, regulation, ordinance, proclamation, order in council, order, contract, agreement or other document, any reference to a provision of the Taxation Act (R.S.Q., chapter I-3) repealed by sections (*insert the section number in this Act that repeals Title VII of Book IX of Part I of the Taxation Act*) and (*insert the section number in this Act that repeals Book X of Part I of the Taxation Act*), is deemed to be a reference to the equivalent provision enacted by subsection 1.

343. (1) Section 93.33 of the said Act is amended by replacing, in the second paragraph, "95 or 1066 of the Taxation Act (chapter I-3)" by "93.1.10".

(2) Subsection 1 applies from 1 January 1998.

344. (1) Section 95 of the said Act, amended by section 279 of chapter 63 of the statutes of 1995, is replaced by the following section:

"**95.** Sections 1000 to 1079.16 of the Taxation Act (chapter I-3) apply, with the necessary modifications, to returns, assessments, payments, refunds, procedure and evidence in the matters contemplated by a fiscal law, subject to this Act and the regulations and as regards returns, subject to the special provisions of any other fiscal law."

(2) Subsection 1 applies from 1 January 1998.

345. (1) The said Act, amended by chapter 46 of the statutes of 1994, by chapters 1, 18, 36, 43, 49, 63 and 69 of the statutes of 1995, by chapters 12, 31, 33, 35 and 81 of the statutes of 1996 and by chapters 3 and 14 of the statutes of 1997, is again amended

(1) by replacing "1051 to 1062 and 1066 to 1079" by "1051 and 1052" in the following provisions:

— section 14.5;
— the second paragraph of section 24.0.1;

(2) by replacing "sections 1066 to 1079 of the Taxation Act (chapter I-3)" by "Chapter III.2" in the following provisions:

— the first paragraph of section 93.8;
— the first paragraph of section 93.9;
— section 93.15;
— the second paragraph of section 93.18.

(2) Subsection 1 applies from 1 January 1998.

ACT RESPECTING LABOUR STANDARDS

346. (1) Section 39.0.1 of the Act respecting labour standards (R.S.Q., chapter N-1.1), amended by section 744 of chapter 2 of the statutes of 1996, is again amended

(1) by replacing, in the definition of "remuneration" in the first paragraph, the words "sections 36.1 and" by the word "section";

(2) by adding, after subparagraph 5 of the second paragraph, the following subparagraphs:

"(6) where an employee is not required to report for work at an establishment of his employer and where his remuneration is not paid from such an establishment situated in Québec, that employee is deemed to report for work at an establishment of his employer situated in Québec for a pay period if, in reference to the place where he mainly reports for work, the place where he

mainly performs his duties, the establishment from where the employee is supervised, the nature of the duties performed by the employee or any other similar criterion, it may reasonably be considered that the employee for that pay period is an employee of that establishment;

"(7) where an employee of an establishment, situated elsewhere than in Québec, of an employer supplies a service in Québec to another employer that is not the employer of the employee, or for the benefit of such other employer, an amount that may reasonably be considered to be the remuneration earned by the employee to supply the service is deemed to be remuneration paid by the other employer, in the pay period during which the remuneration is paid to the employee, to an employee of the other employer who reports for work at an establishment of that other employer situated in Québec where

(*a*) at the time the service is supplied, the other employer has an establishment situated in Québec;

(*b*) the service supplied by the employee

i. is performed by the employee in the ordinary performance of his duties with his employer,

ii. is supplied to or for the benefit of the other employer in the course of regular and ongoing activities of an enterprise carried on by that other employer, and

iii. is in the nature of the services supplied by employees of employers carrying on the same type of enterprise as the enterprise referred to in subparagraph ii; and

(*c*) the amount is not otherwise included in remuneration subject to contribution paid by the other employer that is determined for the purposes of this chapter;

"(8) subparagraph 7 does not apply in respect of a pay period of any other employer referred to therein if the Minister of Revenue is of the opinion that a reduction in the contribution payable under this chapter by the employers referred to in that subparagraph 7 is not one of the objectives or anticipated results arising from the making or maintaining in force of

(*a*) the agreement pursuant to which the service is supplied by the employee referred to in that subparagraph 7 to or for the benefit of the other employer; or

(*b*) any other agreement affecting the amount of remuneration subject to contribution paid by the other employer in the pay period for the purposes of this chapter and where the Minister of Revenue considers the agreement to be related to the agreement for the supply of services referred to in subparagraph *a*;".

(2) Paragraph 1 of subsection 1 applies from the year 1997.

(3) Paragraph 2 of subsection 1 applies in respect of remuneration paid or deemed to be paid after 25 March 1997.

347. (1) Section 39.0.2 of the said Act is replaced by the following section:

"**39.0.2.** Every employer subject to contribution shall, in respect of a calendar year, pay to the Minister of Revenue a contribution equal to the product obtained by multiplying by the rate fixed by regulation made under paragraph 7 of section 29 the remuneration subject to contribution paid by the employer in the year and the remuneration the employer is deemed to pay in respect of the year under the second paragraph of section 979.3 and section 1015.2 of the Taxation Act (chapter I-3) to his employee working in Québec and, except to the extent that it is otherwise referred to in this section, the portion referred to in section 43.2 of that Act of any contribution, together with the related tax, that the employer pays to the administrator of a multi-employer insurance plan, within the meaning of section 43.1 of the said Act in respect of such an employee who receives the remuneration subject to contribution."

(2) Subsection 1 applies from the year 1998.

348. (1) Section 46 of the said Act is amended, in the first paragraph, as follows:

(1) by striking out subparagraph 12;

(2) by replacing subparagraph 13 by the following subparagraph:

"(13) the amount of the tips he has allocated to the employee under section 42.11 of the Taxation Act (chapter I-3);";

(3) by adding, after subparagraph 13, the following subparagraph:

"(14) the amount of the preliminary deduction, the amount returned to the employee, where applicable, and every transaction relating to tips and deriving from a tip remittance agreement provided for in section 97.3."

(2) Paragraphs 1 and 3 of subsection 1 apply from 1 January 1998. In addition, they also apply in respect of an agreement entered into between 24 March 1997 and 1 January 1998 that would, had it been entered into after

31 December 1997, be a tip remittance agreement provided for in section 97.3 of the said Act, enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), for the period preceding 1 January 1998 during which that agreement is in effect.

(3) Paragraph 2 of subsection 1 applies from the first pay period that begins after 31 December 1997.

349. (1) Section 50 of the said Act is amended

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

"**50.** Subject to Chapter IV.1, any tip paid directly or indirectly by a customer to an employee belongs to the employee of right and does not form part of the wages that are otherwise due to him.";

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

"However, an indemnity provided for in section 58, 62, 74, 76, 80, 81, 81.1 or 83 is computed, in the case of an employee who is an individual referred to in section 42.11 of the Taxation Act (chapter I-3), on the basis of the wages increased by the tips allocated under that section 42.11, except for the term of an agreement in force on 1 January 1984, in which case such an indemnity shall be equal to the indemnity provided for in the agreement, subject to section 93, plus the amount obtained by applying the standards of this Act to the reported and allocated tips."

(2) Paragraph 1 of subsection 1 applies from 1 January 1998. In addition, it also applies in respect of an agreement entered into between 24 March 1997 and 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the said Act, enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), for the period preceding 1 January 1998 during which that agreement is in effect.

(3) Paragraph 2 of subsection 1 applies from the first pay period that begins after 31 December 1997.

350. (1) The said Act is amended by inserting, after section 97, the following:

"**CHAPTER IV.1**

"TIPS IN THE RESTAURANT AND HOTEL INDUSTRY

"**97.1.** In this chapter, unless the context indicates otherwise,

(1) "employee", in respect of an employer, means any person holding employment or a position and to which section 97.2 applies;

(2) "employer", in relation to an employee, means the person from whom the employee receives remuneration;

(3) "tip remittance agreement" has the meaning assigned to it by section 97.3;

(4) "regulated establishment" means, subject to the second paragraph,

(*a*) a place situated in Québec specially laid out where lodging or food for consumption on the premises is ordinarily provided in return for payment;

(*b*) a place situated in Québec where alcoholic beverages are served for consumption on the premises in return for payment;

(*c*) a railway train or a vessel, operated in connection with a business carried on entirely or almost entirely in Québec and on which food or beverages are served; and

(*d*) a place situated in Québec where, in connection with the carrying on of a business, food or beverages for consumption elsewhere than on the premises are provided in return for payment;

(5) "tip" means any sum of money or gratuity paid directly or indirectly to an employee by a customer, including service charges added to a customer's bill;

(6) "preliminary deduction" means the withholding which the employer must effect pursuant to the tip remittance agreement entered into with the employee, the rate of which is set out in section 97.3.

A regulated establishment within the meaning of subparagraph 4 of the first paragraph does not include

(1) a place situated in Québec where mainly lodging or food, or both, are provided by the week, month or year in return for payment;

(2) a place where the activity consisting in the providing of food and beverages is carried on by an educational institution, a hospital institution, a shelter for needy persons or victims of violence or any other similar establishment;

(3) a place where the activity consisting in the providing of food and beverages is carried on by a charity or a similar organization but is not carried on on a regular basis;

(4) a cafeteria; or

(5) a fast food outlet in which the employees do not ordinarily receive tips from the majority of customers.

"97.2. This chapter applies, notwithstanding section 3, to every employer and to employees of the employer who perform employment duties for a regulated establishment and who, in connection with their employment or position for the employer, receive tips directly or indirectly in the performance of the employment duties for the regulated establishment.

"97.3. A tip remittance agreement is an agreement that is an integral part of the employee's contract of employment and that pertains to the remittance of tips by the employee to the employer and in which the following minimum obligations are stipulated:

(1) if no tip-sharing arrangement has been implemented for the employees of the regulated establishment for which the employee performs employment duties, the employee shall remit to the employer, at the end of each pay period, an amount equal to 20% of all the tips the employee received during that pay period;

(2) if a tip-sharing arrangement has been implemented for the employees of the regulated establishment for which the employee performs employment duties;

(*a*) where the tip-sharing arrangement is not managed by the employer, the employee shall, after taking into account the tip-sharing arrangement, remit to the employer, at the end of each pay period, an amount equal to 20% of all the tips the employee received during that pay period; or

(*b*) where the tip-sharing arrangement is managed by the employer, the employer shall receive all the tips remitted by the employee and determine the amount to be returned to the employee, taking into account the tip-sharing arrangement in effect in the regulated establishment;

(3) if paragraph 1 or subparagraph *a* of paragraph 2 applies, the employer shall withhold, as a preliminary deduction, the amount remitted by the employee;

(4) if subparagraph *b* of paragraph 2 applies, the employer shall make a preliminary deduction equal to 20% of the amount determined in that subparagraph *b* and pay the balance to the employee as remuneration; and

(5) where at the end of a pay period the employer withholds, in respect of the employee, pursuant to paragraph 3 or 4, an amount as a preliminary deduction, the employer shall pay at the time the wages of that employee are paid to the employee for that pay period, subject to amounts withheld on account of income tax payable by the employee and amounts withheld as contributions under section 50 of the Act respecting the Québec Pension Plan (chapter R-9) and as premiums under section 67 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), an amount as remuneration equal to that preliminary deduction.

"**97.4.** The tip remittance agreement must contain

(1) the name, address, employment duties and social insurance number of the employee; and

(2) the name of the employer, the address of the regulated establishment for which the employee performs employment duties, the name of that establishment and the Québec business number of the employer.

"**97.5.** Every employee must enter into a written tip remittance agreement with the employer.

The tip remittance agreement must be signed in duplicate by the parties; one copy shall be remitted to the employee and the other copy shall be retained by the employer.

"**97.6.** An employer may refuse to allow an employee to which section 97.5 applies to perform employment duties for a regulated establishment for such time as the employee refuses or neglects to enter into a tip remittance agreement.

In addition, where a tip remittance agreement is entered into between an employee and the employer, the obligations mentioned in paragraphs 1 to 5 of section 97.3 have effect throughout the period during which the employee performs employment duties for a regulated establishment and, in connection with the employment or position with that employer, receives tips, directly or indirectly, in the performance of employment duties for that establishment.

"**97.7.** Where an employee's tip is remitted directly by the customer to the operator of a regulated establishment, the amounts to be remitted by the employee to the employer in relation to that tip and to which section 97.3 applies are deemed to have been remitted by the employee to the employer pursuant to the tip remittance agreement entered into between them, on the day on which the tip is remitted.

The first paragraph applies where there is no tip-sharing arrangement in the regulated establishment or, if there is a tip-sharing arrangement, where the arrangement is managed by the employer.

"**97.8.** An employee is not required to enter into a tip remittance agreement if all or substantially all of the tips the employee receives or benefits from in the performance of employment duties are derived from service charges paid by the customers of the regulated establishment where

(1) the service charges to a customer in respect of a tippable sale are, in all or substantially all cases, equal to at least 10% of the amount of the tippable sale;

(2) the customers are informed of the mandatory nature of the service charges and of the percentage charged in relation to the amount of the tippable sales; and

(3) the tip-sharing arrangement, if any, is not managed by the employees.

For the purposes of the first paragraph, "tippable sale" means a sale in a regulated establishment that, in keeping with the prevailing custom in Québec, is likely to entail tipping by the customer, but does not include a sale of food or beverages for consumption elsewhere than on the premises of the regulated establishment.

"**97.9.** The Commission may compensate an employee where it is of the opinion that an employer who is a party to a tip remittance agreement has not paid to the employee the portion of the preliminary deduction to which the employee is entitled after calculation of the amounts payable on the employee's behalf as tax, contributions under section 50 of the Act respecting the Québec Pension Plan (chapter R-9) and premiums under section 67 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23).

The Minister of Finance shall reimburse the Commission for expenses arising from the application of the first paragraph.

"**97.10.** The Commission may claim from an employer the portion of the preliminary deduction to which the employee is entitled after calculation of the amounts payable on the employee's behalf as tax, contributions under section 50 of the Act respecting the Québec Pension Plan (chapter R-9) and premiums under section 67 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23).

Where an employer who does not fulfil the obligations described in the first paragraph is a legal person, the Commission may institute proceedings against the director of the legal person.

"**97.11.** No employer shall refuse to enter into a tip remittance agreement with an employee.

"**97.12.** No employer may require an employee to pay credit card costs over and above the proportion of such costs attributable to tips."

(2) Subsection 1 applies from 1 January 1998. In addition, where an agreement entered into after 24 March 1997 and before 1 January 1998 would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the said Act, enacted by subsection 1, sections 97.1 to 97.4, 97.5, replacing in the first paragraph of the latter section the word "must" by the word "may", sections 97.7 to 97.10 and 97.12 apply for the period preceding 1 January 1998 during which that agreement is in effect.

351. (1) Section 139 of the said Act is amended by replacing the portion of the section before paragraph 1 by the following:

"**139.** Every employer is guilty of an offence and is liable to a fine of $600 to $1,200 and, for any subsequent conviction, to a fine of $1,200 to $6,000, who".

(2) Subsection 1 applies from 1 January 1998.

352. (1) Section 140 of the said Act is amended by replacing the portion of the section before paragraph 1 by the following:

"**140.** Every employer is guilty of an offence and is liable to a fine of $600 to $1,200 and, for any subsequent conviction, to a fine of $1,200 to $6,000, who".

(2) Subsection 1 applies from 1 January 1998.

CONSUMER PROTECTION ACT

353. (1) The Consumer Protection Act (R.S.Q., chapter P-40.1) is amended by inserting, after section 227, the following section:

"**227.1.** No person may, by any means whatever, make false, confusing or misleading representations concerning the existence, charge, amount or rate of duties payable under a federal or provincial statute."

(2) Subsection 1 has effect from 1 July 1998.

ACT RESPECTING THE RÉGIE DE L'ASSURANCE-MALADIE DU QUÉBEC

354. (1) Section 33 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5), amended by section 314 of chapter 14 of the statutes of 1997, is again amended

(1) by inserting the following definition in the appropriate alphabetical order:

""exempt employer", at a particular time, means an employer who, for a taxation year of the employer including the particular time, is either an exempt corporation within the meaning of sections 771.12 and 771.13 of the Taxation Act or, where that taxation year is the first taxation year of the employer or the taxation year during which the employer ceases to be such an exempt corporation by reason of section 771.13 of that Act or the employer's failure to comply with the condition set out in paragraph *a* of section 771.12 of that Act, and the particular time is prior to the time when the earlier of one of the situations set out in that section 771.13 and the failure to comply with the condition set out in the said paragraph *a* occurs, would be such an exempt corporation were it not for that section or that paragraph;";

(2) by inserting the following definitions in the appropriate alphabetical order:

""eligibility period" of an exempt employer means the period that begins at the beginning of the exempt employer's first taxation year and ends at the end of the five-year period after that time;";

""exemption period" of an eligible employer whose first taxation year begins after 25 March 1997 means the period that begins at the beginning of the eligible employer's first taxation year and ends at the end of the five-year period after that time;";

(3) by replacing, in the definition of "wages", the words "sections 36.1 and" by the word "section";

(4) by adding the following paragraph:

"Where the definition of "employer exemption" in the first paragraph applies, in respect of an eligible employer whose first taxation year begins after 25 March 1997, to a time included in the eligible employer's taxation year that includes the last day of the eligible employer's exemption period, the amount of $300,000 in the definition shall be replaced, wherever it occurs, by an amount equal to the proportion of $300,000 that the number of days in the taxation year that are included in the exemption period is of the number of days in the taxation year."

(2) Paragraphs 1, 2 and 4 of subsection 1 have effect from 26 March 1997.

(3) Paragraph 3 of subsection 1 applies from the taxation year 1997.

355. (1) Section 33.0.1 of the said Act, enacted by section 315 of chapter 14 of the statutes of 1997, is replaced by the following section:

"**33.0.1.** In section 33, the expression "taxation year" means a taxation year within the meaning of Part I of the Taxation Act (chapter I-3)."

(2) Subsection 1 has effect from 26 March 1997.

356. (1) Section 34 of the said Act, amended by section 316 of chapter 14 of the statutes of 1997, is again amended

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

"However, where the employer is an eligible employer at the time the wages or amount are paid or deemed to be paid and where, in respect of such an employer the first taxation year of which began after 25 March 1997, that time is included in the employer's exemption period, no contribution is payable under this section in respect of the portion of the wages or amount that does not exceed the amount by which the employer exemption at that time exceeds the aggregate of the other wages or amounts paid or deemed to be paid at that time by the employer, in respect of which no contribution is payable under this section by reason of this paragraph.";

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

"In addition, if the employer is an exempt employer at the time the wages or amount are paid or deemed to be paid, and where that time is included in the employer's eligibility period, no contribution is payable under this section in respect of those wages or that amount."

(2) Subsection 1 applies in respect of wages or amounts paid or deemed to be paid after 25 March 1997.

357. (1) The said Act is amended by inserting, after section 34.0.0.1, the following sections:

"**34.0.0.2.** For the purposes of section 34, where an employee is not required to report for work at an establishment of his employer and where his wages are not paid or deemed to be paid from such an establishment situated in Québec, that employee is deemed to report for work at an establishment of his employer situated in Québec for a pay period if, in reference to the place where he mainly reports for work, the place where he mainly performs his duties, the establishment from where the employee is supervised, the nature of the duties performed by the employee or any other similar criterion, it may reasonably be considered that the employee for that pay period is an employee of that establishment.

"**34.0.0.3.** For the purposes of this subdivision, where an employee of an establishment, situated elsewhere than in Québec, of an employer provides a service in Québec to another employer that is not the employer of the employee, or for the benefit of such an other employer, an amount that may reasonably be regarded as the wages earned by the employee to provide the service is deemed to be wages paid by the other employer, in the pay period in which the wages are paid to the employee, to an employee of the other employer who reports for work at an establishment of that other employer situated in Québec if,

(*a*) at the time the service is provided, the other employer has an establishment situated in Québec;

(*b*) the service provided by the employee is

i. performed by the employee in the ordinary course of performing the duties of the employment with the employer,

ii. provided to, or for the benefit of, the other employer in the course of the regular, ongoing activities of a business carried on by the other employer, and

iii. in the nature of the services provided by employees of employers carrying on the same type of business as the business referred to in subparagraph ii; and

(*c*) the amount is not otherwise included in the aggregate of the wages paid by the other employer and determined for the purposes of this subdivision.

"**34.0.0.4.** Section 34.0.0.3 does not apply in respect of a pay period of another employer referred to therein if the Minister is of opinion that a reduction in the contribution payable under this Act by the employers referred to in section 34.0.0.3 is not one of the purposes or expected results of entering into or maintaining in effect

(*a*) an agreement under which the service is provided by the employee referred to in section 34.0.0.3 to the other employer or for the benefit of the other employer; or

(*b*) any other agreement that affects the amount of wages paid by the other employer in the pay period for the purposes of this subdivision and that the Minister considers to relate to the agreement for the provision of services referred to in paragraph *a*."

(2) Subsection 1 applies in respect of wages paid or deemed paid after 25 March 1997.

358. (1) Section 34.0.1 of the said Act, amended by section 317 of chapter 14 of the statutes of 1997, is again amended by replacing, in the portion before paragraph *a*, the words "of the second paragraph of section 34" by the words "of the second and third paragraphs of section 34".

(2) Subsection 1 has effect from 26 March 1997.

359. (1) Section 34.1.4 of the said Act is amended

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

"(1) section 42.8 of the said Act,";

(2) by striking out, in subparagraph 1 of subparagraph iv of paragraph *a*, "935.10.1,";

(3) by replacing subparagraph 2 of subparagraph iv of paragraph *a* by the following subparagraph:

"(2) paragraphs *k*.1 to *k*.5 of section 311 or section 317 of the said Act, if such amount is deductible in computing the individual's taxable income for the year under section 725 of the said Act by reason of paragraph *b*, *b*.1 or *c* of the said section 725, or is an amount received as a pension under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9), or";

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

"(3) section 311.1 or paragraphs *a* to *b*.1 of section 312 of the said Act; exceeds";

(5) by striking out subparagraph v of paragraph *a*;

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

"ii. any amount deducted in computing the individual's income for the year by reason of paragraphs *a* to *b*, *d*, *d*.1 or *f* to *i* of subsection 1 of section 336 of the Taxation Act, except to the extent that paragraph *d* of the said subsection 1 refers to an overpayment of an amount described in section 311.1 of that Act or of a pension paid under the Old Age Security Act, by reason of paragraph *b* of section 339 of the Taxation Act to the extent that the said paragraph refers to an amount that is deductible under section 924, 926 or 928 of the said Act, by reason of paragraph *c* of the said section 339 to the extent that the said paragraph refers to an amount that is deductible under section 952.1 of the said Act, by reason of paragraph *d*, *d*.1, *d*.2 or *f* of the said section 339 or by reason of section 961.20 or 961.21 of the said Act;";

(7) by striking out subparagraph ii.1 of paragraph *b*;

(8) by inserting, after subparagraph 2 of subparagraph v of paragraph *b*, the following subparagraph:

"(3) income situated on a reserve or premises that the individual deducts in computing his taxable income for the year under section 725 of the Taxation Act by reason of paragraph *e* thereof;".

(2) Paragraph 1 of subsection 1 applies from 1 January 1998. In addition, where an agreement is entered into by an individual and an employer after 24 March 1997 and before 1 January 1998 that would, had it been entered into after 31 December 1997, be a tip remittance agreement provided for in section 97.3 of the Act respecting labour standards (R.S.Q., chapter N-1.1),

enacted by section (*insert the section number in this Act that enacts section 97.3 of the Act respecting labour standards*), it applies to tips that the individual receives or benefits from in the performance of employment duties with that employer after the agreement is entered into.

(3) Paragraph 2 of subsection 1 applies from the year 1994.

(4) Paragraph 3 of subsection 1 applies from the year 1997. However, where subparagraph 2 of subparagraph iv of paragraph *a* of section 34.1.4 of the said Act, enacted by subsection 1, applies to the year 1997, it shall be read with the reference "section 317" replaced by the reference "section 311.1 or 317".

(5) Paragraph 4 of subsection 1 applies from the year 1997. However, where subparagraph 3 of subparagraph iv of paragraph *a* of section 34.1.4 of the said Act, enacted by subsection 1, applies to the year 1997, it shall be read as follows:

"(3) paragraphs *a* to *b*.1 of section 312 of the said Act; exceeds".

(6) Paragraphs 5, 7 and 8 of subsection 1 apply from the year 1997.

(7) Paragraph 6 of subsection 1 applies from the year 1998.

360. (1) Section 37.1 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is amended

(1) by inserting, after the definition of "due date", the following definition:

""eligible spouse" of an individual for a year means the person who is the individual's spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual;";

(2) by replacing the definition of "dependent child" by the following definition:

""dependent child" of an individual for a year means a person in whose respect the individual deducts for the year, in accordance with sections 752.0.1 to 752.0.7 of the Taxation Act (chapter I-3), an amount under section 752.0.1 of that Act pursuant to paragraph *b* of the said section 752.0.1, or could deduct such an amount if the individual had been resident in Québec for the purposes of that Act, throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death;";

(3) by replacing, in the definition of "family income", paragraphs *a* and *b* by the following paragraphs:

"(*a*) the income determined, for the year, in respect of the individual under Part I of the Taxation Act;

"(*b*) the income determined, for the year, in respect of the individual's eligible spouse for the year under Part I of that Act;";

(4) by striking out the definitions of "global income" and "total income".

(2) Subsection 1 applies from the year 1997.

361. (1) The said Act is amended by inserting, after section 37.2, enacted by section 106 of chapter 32 of the statutes of 1996, the following sections:

"**37.2.1.** For the purposes of the definition of "eligible spouse" in section 37.1, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a year unless the person was living separate and apart from the individual at that time, because of the breakdown of their marriage, for a period of at least 90 days that includes that time.

"**37.2.2.** For the purposes of the definition of "family income" in section 37.1, where an individual was resident in Québec for only part of a year, the income determined in respect of the individual for the year under Part I of the Taxation Act (chapter I-3) is equal to the income that would be determined in respect of the individual for the year under that Part but for Book V.2.1 of that Part and if the individual had, for the purposes of that Act, been resident in Québec throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.

However, the first paragraph does not apply to an individual who, for the purposes of that Act, was resident in Canada throughout the year and in Québec on 31 December of that year."

(2) Subsection 1 applies from the year 1997. However, where the first paragraph of section 37.2.2 of the said Act, enacted by subsection 1, applies to the year 1997, it shall be read as follows:

"For the purposes of the definition of "family income" in section 37.1, where an individual was resident in Québec for only part of a year, the income determined in respect of the individual for the year under Part I of the Taxation Act (chapter I-3) corresponds to the income that would be determined in respect of the individual for the year under that Part if the individual had, for the purposes of that Act, been resident in Québec throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death."

362. (1) Section 37.3 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is repealed.

(2) Subsection 1 applies from the year 1997.

363. (1) Section 37.4 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is replaced by the following section:

"**37.4.** The amount referred to in the definition of "family income" in section 37.1 with respect to an individual referred to in section 37.6 for a year is an amount equal to

(*a*) $10,610 or, as the case may be, any other prescribed amount, for the year, where the individual has neither an eligible spouse nor a dependent child for the year;

(*b*) $17,200 or, as the case may be, any other prescribed amount for the year, where, for the year, the individual has no eligible spouse but has only one dependent child;

(*c*) the aggregate of $17,200 or, as the case may be, any other prescribed amount for the year, and the amount mentioned for the year in paragraph *b* of section 752.0.1 of the Taxation Act (chapter I-3) where the individual has no eligible spouse but has several dependent children for the year;

(*d*) where, for the year, the individual has an eligible spouse, the aggregate of $17,200 or, as the case may be, any other prescribed amount for the year and

i. the amount mentioned, for the year, in paragraph *b* of section 752.0.1 of the Taxation Act, where that individual has at least one dependent child for the year;

ii. the amount mentioned, for the year, in paragraph *c* of section 752.0.1 of that Act, where the individual has several dependent children for the year."

(2) Subsection 1 applies from the year 1997.

364. (1) Section 37.5 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is repealed.

(2) Subsection 1 applies from the year 1997.

365. (1) Section 37.6 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is amended, in the second paragraph,

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

"i. 2%, if the individual has an eligible spouse for the year;";

(2) by replacing subparagraph *b* by the following subparagraph:

"(*b*) B is the family income of the individual for the year;".

(2) Subsection 1 applies from the year 1997.

366. (1) Section 37.7 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is amended by adding, after paragraph *f*, the following paragraph:

"(*g*) is a person belonging to a prescribed class."

(2) Subsection 1 applies from the year 1997.

367. (1) Section 37.8 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is replaced by the following section:

"**37.8.** An individual who has so elected, in prescribed form containing the prescribed information, shall pay for a year, on the due date, the amount that the individual's eligible spouse for the year would, were it not for this section, pay for the year under section 37.6.

Where an individual has made an election under the first paragraph, the individual's eligible spouse for the year is deemed to have no amount to pay for the year under the said section 37.6."

(2) Subsection 1 applies from the year 1997.

368. (1) Section 37.9 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is replaced by the following section:

"**37.9.** An individual shall send to the Minister for a year the prescribed form containing the prescribed information on or before the date on which the individual is required to file, under section 1000 of the Taxation Act (chapter I-3), a fiscal return for the year or on which the individual would be required to file such a return if tax were payable by the individual for that year under Part I of that Act, where

(*a*) the individual is required to pay, for the year, an amount under section 37.6 or 37.8;

(*b*) the individual sends to the Minister, for the year, the fiscal return referred to in section 1000 of the Taxation Act;

(*c*) the individual sends to the Minister, for the year, a return for the purposes of subdivision 3 of Division I;

(*d*) the individual files with the Minister, for the year, a return of the self-employed earnings of the individual for the purposes of the Act respecting the Québec Pension Plan (chapter R-9); or

(*e*) the individual files with the Minister, for the year, an application under section 15 of the Act respecting real estate tax refund (chapter R-20.1)."

(2) Subsection 1 applies from the year 1997.

369. (1) Section 37.10 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is amended by replacing, in the first paragraph, "1079" by "1053".

(2) Subsection 1 applies from 1 January 1998.

370. (1) Section 37.12 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is amended by striking out the second paragraph.

(2) Subsection 1 applies from the year 1997.

371. (1) Section 37.13 of the said Act, enacted by section 106 of chapter 32 of the statutes of 1996, is amended by inserting, after paragraph *a*, the following paragraph:

"(*a*.1) to determine a class of persons which may be prescribed for the purposes of paragraph *g* of section 37.7;".

(2) Subsection 1 applies from the year 1997.

ACT RESPECTING THE QUÉBEC PENSION PLAN

372. (1) Section 3 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended by adding, after paragraph *i*, the following paragraph:

"(*j*) employment of a worker who is an Indian or person of Indian ancestry, within the meaning assigned to those words by section 725.0.1 of the Taxation Act (chapter I-3), where, under paragraph *e* of section 725 of that Act, the worker may deduct, in computing the worker's taxable income under that Act, an amount in respect of the remuneration paid to the worker in respect of that employment."

(2) Subsection 1 applies from the year 1996. However, where paragraph *j* of section 3 of the said Act, enacted by subsection 1, applies to the year 1996, it shall be read as follows:

"(*j*) employment of a worker who is an Indian or person of Indian ancestry, within the meaning assigned to those words by section 488R2 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), where the worker is not required to include, in computing the worker's income under the Taxation Act (chapter I-3), the remuneration paid to the worker in respect of that employment."

373. (1) Section 45 of the said Act, amended by section 2 of chapter 19 of the statutes of 1997 and by section (*insert the section number in Bill 149 that amends section 45 of the Act respecting the Québec Pension Plan*) of chapter

(*insert the chapter number of Bill 149*) of the statutes of (*insert the year of assent to Bill 149*), is again amended

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

"(*a*) the worker's income for the year from pensionable employment, computed in accordance with the Taxation Act (chapter I-3), without reference to the provisions of the said Act provided for in the fourth paragraph, plus any deductions made in such computation other than the deduction referred to in section 76 of the said Act;";

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

"For the purposes of subparagraph *a* of the first paragraph, the provisions of the Taxation Act to which reference is not to be made in computing income from pensionable employment are the following:

(*a*) section 43.3;

(*b*) section 47 where it refers to an amount to be included in the computation and that may reasonably be attributed to an amount paid, after 12 May 1994, to a trustee under a profit sharing plan;

(*c*) sections 47.1 to 47.9; and

(*d*) section 58.1 where it refers to an amount to be included in the computation under sections 979.9 to 979.11 of the said Act."

(2) Subsection 1 applies from the year 1997.

374. (1) Section 50.1 of the said Act is amended, in the portion before paragraph *a*, by striking out ", except section 36.1 of that Act,".

(2) Subsection 1 applies from the year 1997.

375. (1) Section 76 of the said Act is amended by replacing "1065 of the Taxation Act (chapter I-3)" by "1053 of the Taxation Act (chapter I-3) and Chapter III.1 of the Act respecting the Ministère du Revenu (chapter M-31)".

(2) Subsection 1 applies from 1 January 1998.

376. (1) Section 184 of the said Act is amended by replacing "Book X of Part I of the Taxation Act (chapter I-3)" by "Chapter III.2 of the Act respecting the Ministère du Revenu (chapter M-31)".

(2) Subsection 1 applies from 1 January 1998.

377. (1) Section 1 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1), amended by section 23 of chapter 23 of the statutes of 1994, by section 889 of chapter 2 of the statutes of 1996 and by section 108 of chapter 3 of the statutes of 1997, is again amended

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

"(*a*.1) "eligible spouse" of a particular person for a year means the person who is the particular person's spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the particular person;";

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

"(*f*) "family income" of a person for a year means the amount by which $26,000 is exceeded by the aggregate of:

i. the income of the person for the year, determined under Part I of the Taxation Act; and

ii. the income, for the year, of the person's eligible spouse for the year, determined under that Part I."

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

378. (1) Section 1.0.1 of the said Act, amended by section 292 of chapter 63 of the statutes of 1995, is again amended by striking out the words "during a year".

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

379. (1) Section 1.1 of the said Act, amended by section 227 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**1.1.** For the purposes of the definition of "eligible spouse" in section 1, a person shall not be considered to be living separate and apart from a particular person at the end of 31 December of a year unless the person was living separate and apart from the particular person at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time."

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

380. (1) The said Act is amended by inserting, after section 1.1, the following section:

"**1.1.1.** For the purposes of the definition of "family income" in section 1, where a person was, for the purposes of the Taxation Act (chapter I-3), resident in Canada for only part of a year, the individual's income for the year, determined under Part I of that Act, is deemed to be equal to the income that would be determined in respect of the individual for the year under that Part but for Book V.2.1 of that Part and if the individual had, for the purposes of that Act, been resident in Québec and in Canada throughout the year."

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

381. (1) Section 2 of the said Act is amended

(1) by inserting, in the portion before paragraph *a* after the words "person who", the words ", for the purposes of the Taxation Act (chapter I-3),";

(2) by replacing, in paragraph *a*, the words "spouse during" by the words "eligible spouse for";

(3) by striking out, in paragraph *b*, the words "(chapter I-3)".

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

382. (1) Section 3 of the said Act is replaced by the following section:

"**3.** The person referred to in section 2 is not entitled to a real estate tax refund for a year if the person or the person's eligible spouse for the year, where applicable, is exempt from tax for that year under section 982 or 983 of the Taxation Act (chapter I-3) or any of subparagraphs *a* to *d* of the first paragraph of section 96 of the Act respecting the Ministère du Revenu (chapter M-31)."

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years. In addition, where section 3 of the said Act, replaced by subsection 1, applies in respect of real estate tax refund calculations

(1) for the years 1987 to 1991, it shall be read with the words "paragraphs *a* to *c*" replaced by the words "any of paragraphs *a* to *d*";

(2) for the years 1992 to 1997, it shall be read with the words "paragraphs *a* to *c*" replaced by the words "any of subparagraphs *a* to *d* of the first paragraph".

383. (1) Sections 7 and 7.1 of the said Act are replaced by the following sections:

"**7.** The amount of the real estate tax refund to which the person referred to in section 2 is entitled for a year, in respect of the dwelling in which the person lives on 31 December of that year, is equal to the amount by which

(*a*) 40% of the lesser of

i. the amount by which the real estate tax ascribed to the dwelling for that year exceeds the aggregate determined in respect of that person for that year under section 7.1, and

ii. $1,285; exceeds

(*b*) 3% of that person's family income for that year.

"**7.1.** The aggregate to which subparagraph i of paragraph *a* of section 7 refers, in respect of the person referred to therein, for a year is equal to the total of

(*a*) $430 in respect of that person; and

(*b*) $430 in respect of that person's eligible spouse for the year."

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

384. (1) Section 8 of the said Act is repealed.

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

385. (1) Section 9.1 of the said Act is amended

(1) by replacing, in the portion before paragraph *a*, the words "spouse during" by the words "eligible spouse for";

(2) by replacing, in paragraphs *a* to *c*, the words "spouse during the year" by the words "eligible spouse";

(3) by replacing, in the French text of paragraphs *a* and *c*, the words "en la forme prescrite" by the words "au moyen du formulaire prescrit";

(4) by replacing, in the French text of paragraph *c*, the words "aux fins" by the words "pour l'application";

(5) by replacing, wherever it appears in paragraph *d*, the word "spouse" by the words "eligible spouse".

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

386. (1) Sections 10 to 10.2 of the said Act are repealed.

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

387. (1) Section 16 of the said Act is replaced by the following section:

"**16.** The person designated in an application filed under section 15 by a particular person for a year as that particular person's eligible spouse for the year shall produce a certificate, in prescribed form containing prescribed information, that the particular person shall file with the application."

(2) Subsection 1 applies in respect of real estate tax refund calculations for the year 1998 and subsequent years.

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

"**40.** A person cannot validly object to the decision rendered by the Minister on the person's application for a real estate tax refund or appeal from that decision, if the person does not object to or appeal from the matter in dispute in respect of the assessment made under the Taxation Act (chapter I-3), in all cases where the Minister, consequently to that dispute, also varies the amount of tax that that person is required to pay."

(2) Subsection 1 applies from 1 January 1998.

ACT RESPECTING INCOME SECURITY

389. (1) Section 83 of the Act respecting income security (R.S.Q., chapter S-3.1.1) is amended, in the first paragraph, by inserting, after the word "assessment", the word "made".

(2) Subsection 1 applies from 1 January 1998.

ACT RESPECTING THE SOCIÉTÉ DE DÉVELOPPEMENT DES ENTREPRISES CULTURELLES

390. (1) The Act respecting the Société de développement des entreprises culturelles (R.S.Q., chapter S-10.002) is amended by inserting, after section 27, the following section:

"**27.1.** The Société is also entrusted with determining the eligibility of multimedia titles for tax assistance and the class to which multimedia titles belong and with issuing a certificate in this regard in accordance with the standards provided by the regulations of the Government.

The Government may, by regulation, define classes of multimedia titles eligible or ineligible for tax assistance.

Regulations made under this section come into force on the fifteenth day following the date of their publication in the *Gazette officielle du Québec* or on any later date fixed therein; such regulations, once published and if they so provide, may apply to a period prior to their publication, but not prior to 10 May 1996."

(2) Subsection 1 has effect from 10 May 1996. However, where the first and second paragraphs of section 27.1 of the said Act apply before 23 May 1997, they shall be read as follows:

"**27.1.** The Société is also entrusted with determining the eligibility of multimedia corporations and titles for tax assistance as well as manpower expenditures, production costs and operating receipts in respect of multimedia titles and the class to which multimedia titles belong, with determining whether a title is available in French and whether it is intended for the consumer market, the corporate securities market or the institutional securities market, and with issuing certificates in these regards in accordance with the standards provided by the regulations of the Government.

The Government may, by regulation,

(*a*) determine manpower expenditures, production costs and operating receipts in respect of multimedia titles;

(*b*) define classes of multimedia titles eligible or ineligible for tax assistance."

ACT RESPECTING QUÉBEC BUSINESS INVESTMENT COMPANIES

391. (1) Section 13.1 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) is amended by adding the following paragraph:

"The Société de développement industriel du Québec may, in particular, refuse to validate an investment made by a company where an option to sell or any other form of guarantee of return is granted by anyone, on the date of the investment, to a shareholder of the company."

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 20 December 1995.

ACT RESPECTING THE QUÉBEC SALES TAX

392. (1) Section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), amended by section 23 of chapter 23 of the statutes of 1994, by section 247 of chapter 1 of the statutes of 1995, by section 246 of chapter 49 of the statutes of 1995, by section 299 of chapter 63 of the statutes of 1995, by section 115 of chapter 3 of the statutes of 1997, by section 329 of chapter 14 of the statutes of 1997 and by section 146 of chapter 31 of the statutes of 1997, is again amended

(1) in the definition of "commercial activity", by replacing paragraphs 1 and 2 by the following paragraphs:

"(1) a business carried on by the person, other than a business carried on without a reasonable expectation of profit by an individual, a personal trust or a partnership, all of the members of which are individuals, except to the extent to which the business involves the making of exempt supplies by the person,

"(2) an adventure or concern of the person in the nature of trade, other than an adventure or concern engaged in without a reasonable expectation of profit by an individual, a personal trust or a partnership, all of the members of which are individuals, except to the extent to which the adventure or concern involves the making of exempt supplies by the person, and";

(2) by replacing the definition of "hospital authority" by the following definition:

""hospital authority" means a public institution, within the meaning of the Act respecting health services and social services (chapter S-4.2) or within the meaning of the Act respecting health services and social services for Cree Native persons (chapter S-5), that operates a hospital centre, or an organization that operates a public hospital located in Québec and that is designated by the Minister of National Revenue as a hospital authority;";

(3) by replacing the definition of "improvement" by the following definition:

""improvement", in respect of property of a person, means any property or service supplied to, or property brought into Québec by, the person for the purpose of improving the property, to the extent that the consideration paid or payable by the person for the property or service or the value of the property brought in is, or would be if the person were a taxpayer within the meaning of the Taxation Act, included in determining the cost or, in the case of property that is capital property of the person, the adjusted cost base to the person of the property for the purposes of that Act;";

(4) by striking out the definition of "used specified corporeal movable property";

(5) by replacing the definition of "used corporeal movable property" by the following definition:

""used corporeal movable property" means corporeal movable property that has been used in Québec;";

(6) by replacing the definition of "officer" by the following definition:

""officer" means a person who holds an office;";

(7) by inserting the following definition in the appropriate alphabetical order:

""office" has the meaning assigned by section 1 of the Taxation Act, but does not include

(1) the position of trustee in bankruptcy,

(2) the position of receiver, including the position of a receiver within the meaning assigned by the second paragraph of section 310, or

(3) the position of trustee of a trust or personal representative of a deceased individual where the person who acts in that capacity is entitled to an amount for doing so that is included, for the purposes of that Act, in computing the person's income or, where the person is an individual, the person's income from a business;";

(8) in the definition of "public college", by replacing the portion before subparagraph *b* of paragraph 3 by the following:

"(3) an organization that operates a post-secondary college or post-secondary technical institute, situated in Québec,

(*a*) that receives from a government or a municipality funds that are paid for the purpose of assisting the organization in ongoing provision of educational services to the general public, and";

(9) by inserting the following definition in the appropriate alphabetical order:

""direct cost" of a supply of corporeal movable property or a service means the total of all amounts each of which is the consideration paid or payable by the supplier

(1) for the property or service if it was purchased by the supplier for the purpose of making a supply by way of sale of the property or service, or

(2) for an article or material, other than capital property of the supplier, that was purchased by the supplier, to the extent that the article or material is to be incorporated into or is to form a constituent or component part of the property, or is to be consumed or expended directly in the process of manufacturing, producing, processing or packaging the property

and for the purposes of this definition, the consideration paid or payable by the supplier for property or a service is deemed to include any tax imposed under this Title that is payable by the supplier in respect of the acquisition or bringing into Québec of the property or service;";

(10) in the definition of "financial instrument", by replacing paragraph 4 by the following paragraph:

"(4) an interest in a trust, a partnership or a succession, or any right in respect of such an interest,";

(11) by inserting the following definition in the appropriate alphabetical order:

""self-contained domestic establishment" has the meaning assigned by section 1 of the Taxation Act;";

(12) by inserting the following definitions in the appropriate alphabetical order:

""*inter vivos* trust" means a trust other than a testamentary trust;

""personal trust" means

(1) a testamentary trust, or

(2) an *inter vivos* trust that is a personal trust, within the meaning of section 1 of the Taxation Act, all the beneficiaries, other than contingent beneficiaries, of which are individuals and all the contingent beneficiaries, if any, of which are individuals, charities or public institutions;

""testamentary trust" has the meaning assigned by section 1 of the Taxation Act;";

(13) by striking out the definitions of "consideration fraction" and of "tax fraction";

(14) in the definition of "residential unit", by replacing the portion before paragraph 1 by the following:

""residential unit" means the whole or part of a residential unit held in co-ownership, detached house, semi-detached house, rowhouse unit, mobile home, floating home, apartment, a room or suite in an inn, a hotel, a motel, a boarding house or a lodging house or in a residence for students, seniors, individuals with a disability or other individuals, or the whole or part of any other similar premises, that";

(15) in the definition of "residential complex", by replacing subparagraph *b* of paragraph 6 by the following subparagraph:

"(*b*) all or substantially all of the supplies of residential units in the building or part by way of lease, licence or similar arrangement are, or are expected to be, for periods of continuous possession or use of less than 60 days;";

(16) by replacing the definition of "capital property" by the following definition:

""capital property", in respect of a person, means property that is, or that would be if the person were a taxpayer under the Taxation Act (chapter I-3), capital property of the person within the meaning of that Act, other than

property described in Class 12, 14 or 44 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1) and any present or future amendment thereto;";

(17) by inserting the following definitions in the appropriate alphabetical order:

""financial institution" throughout a taxation year means a person who is

(1) a listed financial institution at any time in that taxation year, or

(2) a financial institution, within the meaning of paragraph *b* or paragraph *c* of subsection 1 of section 149 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15);

""telecommunications facility" means any facility, apparatus or other thing, including any wire, cable, radio, optical or other electromagnetic system, or any similar technical system, or any part thereof, that is used or is capable of being used for telecommunications;";

(18) by inserting the following definition in the appropriate alphabetical order:

""public institution" means a registered charity, within the meaning of section 1 of the Taxation Act, that is a school authority, a public college, a university, a hospital authority or a local authority determined under paragraph 2 of the definition of "municipality" in this section to be a municipality;";

(19) by replacing the definition of "short-term accommodation" by the following definition:

""short-term accommodation" means a residential complex or a residential unit that is supplied to a recipient by way of lease, licence or other similar arrangement for the purpose of its occupancy by an individual as a place of residence or lodging, where the period throughout which the individual is given continuous occupancy of the complex or unit is less than one month and, for the purposes of sections 353.6 to 357 and 357.2 to 357.5,

(1) includes any type of overnight shelter (other than shelter on a train, trailer, boat or structure that has means of, or is capable of being readily adapted for, self-propulsion) when supplied as part of a tour package, within the meaning assigned by section 63, that also includes food and the services of a guide, and

(2) does not include a residential complex or unit when it

(*a*) is supplied to the recipient under a timeshare arrangement, or

(*b*) is included in that part of a tour package that is not the taxable portion of the tour package, within the meaning assigned to those expressions by section 63;";

(20) by replacing the definition of "mobile home" by the following definition:

""mobile home" means a building, the manufacture and assembly of which is completed or substantially completed, that is equipped with complete heating, electrical and plumbing facilities and that is designed to be moved to a site for installation on a foundation and connection to service facilities and to be occupied as a place of residence, but does not include any travel trailer, motor home, camping trailer or other vehicle or trailer designed for recreational use;";

(21) by striking out the definition of "courier";

(22) by replacing the definition of "charity" by the following definition:

""charity" means a registered charity within the meaning assigned by section 1 of the Taxation Act or a registered Canadian amateur athletic association within the meaning of that Act, but does not include a public institution;";

(23) by replacing the definition of "non-profit organization" by the following definition:

""non-profit organization" means a person, other than an individual, a succession, a trust, a charity, a public institution, a municipality or a government, that was organized and is operated solely for a purpose other than profit, no part of the income of which is payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder thereof unless the proprietor, member or shareholder is a club or an association the primary purpose of which is the promotion of amateur athletics in Canada;";

(24) in the definition of "insurance policy",

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

""insurance policy" means a policy of insurance that is issued, or a contract of insurance that is entered into, by an insurer and a policy or contract in the nature of accident or sickness insurance, whether or not the policy is issued, or the contract is entered into, by an insurer, and also includes";

(*b*) by adding the following paragraph:

"(4) a bid, performance, maintenance or payment bond issued in respect of a construction contract;";

(25) by inserting the following definition in the appropriate alphabetical order:

""personal representative", of a deceased individual or the succession of a deceased individual, means the liquidator of the individual's succession or any person who is responsible under the appropriate law for the proper collection, administration, disposition and distribution of the assets of the succession;";

(26) by inserting the following definition in the appropriate alphabetical order:

""telecommunication service" means

(1) the service of emitting, transmitting or receiving signs, signals, writing, images or sounds or intelligence of any nature by wire, cable, radio, optical or other electromagnetic system, or by any similar technical system, or

(2) making available for such emission, transmission or reception telecommunications facilities of a person who carries on the business of supplying services referred to in paragraph 1;";

(27) in the definition of "financial services",

(*a*) by replacing paragraphs 10 and 10.1 by the following paragraphs:

"(10) the service of investigating and recommending the compensation in satisfaction of a claim where

(*a*) the claim is made under a marine insurance policy, or

(*b*) the claim is made under an insurance policy that is not in the nature of accident or sickness or life insurance and

i. the service is supplied by an insurer or by a person who is licensed under the laws of Québec, another province, the Northwest Territories or the Yukon Territory to provide such a service, or

ii. the service is supplied to an insurer or a group of insurers by a person who would be required to be so licensed but for the fact that the person is relieved from that requirement under the laws of Québec, another province, the Northwest Territories or the Yukon Territory;

"(10.1) the service of providing an insurer or a person who supplies a service referred to in paragraph 10 with an appraisal of the damage caused to property, or in the case of a loss of property, the value of the property, where the supplier of the appraisal inspects the property, or in the case of a loss of the property, the last-known place where the property was situated before the loss;";

(*b*) by replacing paragraph 17 by the following paragraph:

"(17) where the supplier is a person who provides management or administrative services to a corporation, partnership or trust the principal activity of which is the investing of funds, the provision to the corporation, partnership or trust of

(*a*) a management or administrative service, or

(*b*) any other service, other than a prescribed service;";

(28) by inserting the following definition in the appropriate alphabetical order:

""basic tax content", at a particular time, of property of a person means the amount determined by the formula

$$(A - B) \times C,$$

where

(1) A is the total of

(*a*) the tax that was payable by the person in respect of the last acquisition or bringing into Québec of the property by the person,

(*b*) the tax that would have been payable by the person in respect of the last bringing into Québec of the property by the person but for the fact that the person was a registrant, that the property was brought into Québec by the person for consumption or use exclusively in the course of commercial activities of the person and that the person would have been entitled to claim an input tax refund had the person paid the tax in respect of the bringing in,

(*c*) the tax that would have been payable by the person in respect of the last bringing into Québec of the property by the person but for the fact that the property was brought into Québec for supply,

(*d*) the tax that was payable by the person in respect of an improvement to the property acquired, or brought into Québec, by the person after the property was last acquired or brought into Québec by the person,

(*e*) the tax that would have been payable by the person in respect of the bringing into Québec of an improvement to the property but for the fact that the person was a registrant, that the improvement was brought into Québec by the person for consumption or use exclusively in the course of commercial activities of the person and that the person would have been entitled to claim an input tax refund had the person paid the tax in respect of the bringing in after the property was last acquired or brought into Québec by the person,

(*f*) the tax under section 16 that would have been payable by the person in respect of the last acquisition of the property by the person or in respect of an improvement to the property acquired by the person after the property was last acquired or brought into Québec by the person, but for sections 54.1, 75.1 and 80 or the fact that the property or improvement was acquired by the person for consumption, use or supply exclusively in the course of commercial activities, and

(*g*) the tax under section 18 or section 18.0.1 that would have been payable by the person in respect of the last acquisition of the property by the person, and the tax under section 18 or section 18.0.1 that would have been payable by the person in respect of an improvement to the property acquired by the person after the property was last acquired or brought into Québec by the person, but for the fact that the person had acquired the property or improvement for consumption, use or supply exclusively in the course of commercial activities of the person;

(2) B is the total of

(*a*) all taxes referred to in paragraph 1 that the person was exempt from payment under any other Act or law,

(*b*) all amounts, other than input tax refunds and amounts referred to in subparagraph *a*, in respect of tax referred to in subparagraphs *a* and *d* of paragraph 1 that the person was entitled to recover by way of rebate, refund or otherwise under this or any other Act or law or would have been entitled to so recover if the property or improvement had been acquired for use exclusively in activities that are not commercial activities, and

(*c*) all amounts, other than input tax refunds and amounts referred to in subparagraph *a*, in respect of tax referred to in subparagraphs *b*, *c* and *e* to *g* of paragraph 1 that the person would have been entitled to recover by way of rebate, refund or otherwise under this or any other Act or law or would have been entitled to so recover if that tax had been payable and the property or improvement had been acquired for use exclusively in activities that are not commercial activities; and

(3) C is the lesser of 1 and

$$\frac{D}{E},$$

where

(1) D is the fair market value of the property at the particular time, and

(2) E is the total of

(*a*) the value of the consideration for the last supply of the property to the person or, where the property was last brought into Québec by the person, the value of the property within the meaning of section 17, and

(*b*) where the person acquires, or brings into Québec, an improvement to the property after the property was last acquired or brought in, the total of all amounts each of which is the value of the consideration for the supply to the person of such an improvement or, if the improvement is property that was brought into Québec by the person, the value of the property within the meaning of section 17;";

(29) in the definition of "residential trailer park", by replacing paragraph 2 by the following paragraph:

"(2) all or substantially all of the sites in the trailer parks are supplied, or are intended to be supplied, by way of lease, licence or similar arrangement under which continuous possession or use of a site is provided";

(30) by replacing the definition of "university" by the following definition:

""university" means

(1) an educational institution at the university level within the meaning of the Act respecting educational institutions at the university level (chapter E-14.1), or

(2) a recognized degree-granting institution situated in Québec or an organization situated in Québec that operates a research body of, or a college affiliated with, such an institution;".

(2) Paragraphs 1 to 5 and 20 of subsection 1 have effect from 24 April 1996. However,

(*a*) for the purposes of subdivision II of subdivision 3 of Division I of Chapter VII of Title I of the said Act, the definition of "mobile home", replaced by paragraph 20 of subsection 1, also applies to supplies of mobile homes made before 24 April 1996 for which consideration becomes due after 23 April 1996 or is paid after 23 April 1996 without having become due; and

(*b*) where a supply of land, including a site in a trailer park, is made by way of lease, licence or similar arrangement to the owner, lessee or person in occupation or possession of a mobile home, within the meaning assigned by section 1 of the said Act, as amended by paragraph 20 of subsection 1, for a period that begins before 24 April 1996 and ends after 23 April 1996, the provision of the land for the part of the period that is before 24 April 1996, and the provision of the land for the remainder of the period, are each deemed to be a separate supply and the supply of land for the remainder of the period is deemed to be made on 24 April 1996.

(3) Paragraphs 6, 7 and 10 to 12, the portion of paragraph 17 that enacts the definition of "telecommunications facility", and paragraphs 19, 21, 24, 25, 26 and 30 of subsection 1 have effect from 1 July 1992. However,

(*a*) where the definition of "personal trust", enacted by paragraph 12, applies

i. in relation to supplies made before 24 April 1996, that definition shall be read without reference to the words "that is a personal trust, within the meaning of section 1 of the Taxation Act,", and

ii. in relation to supplies made before 1 January 1997, that definition shall be read with the words "individuals, charities or public institutions" replaced by the words "individuals or charities";

(*b*) the definition of "short-term accommodation" in section 1 of the said Act, replaced by paragraph 19 of subsection 1, shall be read without reference to "continuous" with respect to supplies made before 15 September 1992;

(*c*) subparagraph *a* of paragraph 2 of the definition of "short-term accommodation" in section 1 of the said Act, replaced by paragraph 19 of subsection 1, does not apply for the purpose of determining any rebate under sections 353.6 to 356.1 or 357.2 to 357.5 of the said Act that are payable to a person in respect of a supply of a residential complex or unit under a timeshare arrangement entered into in writing before 23 April 1996; and

(*d*) where paragraph 2 of the definition of "university" in section 1 of the said Act, replaced by paragraph 30 of subsection 1, applies before 24 April 1996, that paragraph shall be read as follows:

"(2) a recognized degree-granting institution situated in Québec or an organization or part of an organization situated in Québec that operates a research body of, or a college affiliated with, such an institution;".

(4) Paragraph 8 of subsection 1 applies

(*a*) for the purpose of determining any rebate under sections 383 to 397 of the said Act for which an application is received by the Minister of Revenue on or after 23 April 1996 and for the purpose of determining any amount granted by the Minister of Revenue after that date; and

(*b*) for all other purposes, after 31 December 1996.

(5) Paragraphs 9, 18, 22 and 23 of subsection 1 have effect from 1 January 1997. However,

(*a*) the definition of "direct cost", enacted by paragraph 9, also applies in relation to any supply made before 1 January 1997 for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due; and

(*b*) for the period from 1 January 1997 to 31 March 1997, the portion of the definition of "direct cost" after paragraph 2, enacted by paragraph 9 of subsection 1, shall be read as follows:

"and for the purposes of this definition, the consideration paid or payable by the supplier for property or a service is deemed to include any tax imposed under this Title that is payable by the supplier in respect of the acquisition or bringing into Québec of the property or service and neither recovered nor recoverable by the supplier;"; and

(*c*) the definition of "public institution", enacted by paragraph 18 of subsection 1, and the definition of "charity", replaced by paragraph 22 of subsection 1, also apply in relation to any supply made before 1 January 1997 by a person who is, on 1 January 1997, a public institution as defined on that day in section 1 of the said Act, and for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

(6) Paragraphs 13 and 28 of subsection 1 have effect from 1 April 1997.

(7) Paragraph 14 of subsection 1 has effect from 20 March 1997.

(8) Paragraph 15 of subsection 1 has effect from 30 September 1992. However,

(*a*) subject to paragraph *b*, for the period from 30 September 1992 to 31 March 1997, subparagraph *b* of paragraph 6 of the definition of "residential complex", replaced by paragraph 15 of subsection 1, shall be read as follows:

"(*b*) all or substantially all of the supplies of residential units in the building or part by way of lease, licence or similar arrangement are, or are expected to be, for periods of continuous possession or use of less than 60 days;";

(*b*) subparagraph *b* of paragraph 6 of the definition of "residential complex", replaced by paragraph 15 of subsection 1, shall be read as follows for the purpose of determining any amount that is granted by the Minister of Revenue before 24 April 1996 and for the purpose of determining any amount that is claimed in an application under Chapter VII of Title I of the said Act received by the Minister of Revenue before 23 April 1996 or that is claimed as a deduction, in respect of any adjustment, refund or credit under section 447 of the said Act, in a return under Chapter VIII of Title I received by the Minister of Revenue before 23 April 1996:

"(*b*) all or substantially all of the supplies of residential units in the building or part by way of lease, licence or similar arrangement are, or are expected to be, for periods of less than 60 days;"; and

(*c*) subparagraph *c* of paragraph 6 of the definition of "residential complex", replaced by paragraph 15 of subsection 1, as it read for the period from

1 July 1992 to 29 September 1992, shall, in its application to any supply under an agreement entered into after 14 September 1992 but before 30 September 1992, be read as follows:

"(*c*) all or substantially all of the supplies of residential units in the building by way of lease, licence or similar arrangement are, or are expected to be, for periods of continuous possession or use of less than 60 days;".

(9) Paragraph 16 of subsection 1 has effect in respect of property acquired after 26 April 1993.

(10) The portion of paragraph 17 of subsection 1 that enacts the definition of "financial institution" has effect in respect of taxation years that begin after 23 April 1996.

(11) Paragraph 27 of subsection 1 has effect

(*a*) as regards the portion of subparagraph *a* that replaces paragraph 10 of the definition of "financial service", in respect of any supply for which consideration becomes due after 23 April 1996 or is paid after that date without having become due and in respect of any supply for which all of the consideration became due or was paid on or before 23 April 1996, unless

i. the supplier did not, on or before 23 April 1996, charge or collect any amount as or on account of tax under Title I of the said Act in respect of the supply, or

ii. the supplier charged or collected an amount as or on account of tax under Title I of the said Act in respect of the supply and, before 23 April 1996, the Minister of Revenue received an application for a rebate under section 400 of the said Act in respect of that amount or a return in which the supplier claims a deduction in respect of an adjustment, refund or credit of the amount under section 447 of the said Act, or granted that amount before 24 April 1996;

however, in respect of any supply for which all of the consideration became due or was paid on or before 23 April 1996, paragraph 10 of the definition of "financial service" shall be read without reference to subparagraph ii of subparagraph *b*;

(*b*) as regards the portion of subparagraph *a* that replaces paragraph 10.1 of the definition of "financial service", in respect of any supply for which consideration becomes due after 23 April 1996 or is paid after that date without having become due and in respect of any supply for which all of the consideration became due or was paid on or before 23 April 1996, where

i. the supplier did not, on or before 23 April 1996, charge or collect any amount as or on account of tax under Title I of the said Act in respect of the supply, or

ii. the supplier charged or collected an amount as or on account of tax under Title I in respect of the supply and, before 23 April 1996, the Minister of Revenue received an application for a rebate under section 400 of the said Act in respect of that amount or a return in which the supplier claims in respect of an adjustment, refund or credit of the amount under section 447 of the said Act, or granted that amount before 24 April 1996;

however, for the period that begins on 1 July 1992 and ends on 30 September 1992, paragraph 10.1 of the definition of "financial service" shall be read as follows:

"(10.1) the service of providing an insurer or a person who supplies a service referred to in paragraph 10 with an appraisal of the damage, other than loss, caused to property;"; and

(*c*) as regards subparagraph *b*, from 1 July 1992; however, that subparagraph does not apply in respect of any supply where the supplier did not, on or before 7 December 1994, charge or collect any amount as or on account of tax under Title I of the said Act in respect of the supply.

(12) Paragraph 29 of subsection 1 has effect from 15 September 1992. However,

(*a*) subject to paragraph *b*, for the period from 15 September 1992 to 31 March 1997, the portion of the definition of "residential trailer park", replaced by paragraph 29 of subsection 1, that is before subparagraph *a* of paragraph 2, shall be read as follows:

"(2) all or substantially all of the sites in the trailer parks are supplied, or are intended to be supplied, by way of lease, licence or similar arrangement under which continuous possession or use of a site is provided";

(*b*) the portion of the definition of "residential trailer park", replaced by paragraph 29 of subsection 1, that is before subparagraph *a* of paragraph 2, shall be read as follows for the purpose of determining any amount granted by the Minister of Revenue before 24 April 1996 and for the purpose of determining any amount claimed in an application under Chapter VII of Title I of the said Act received by the Minister of Revenue before 23 April 1996 or claimed as a deduction, in respect of an adjustment, refund or credit under section 447 of the said Act, in a return under Chapter VIII of Title I of the said Act and received by the Minister of Revenue before 23 April 1996:

"(2) all or substantially all of the sites in the trailer parks are supplied, or are intended to be supplied, by way of lease, licence or similar arrangement;".

393. (1) Section 11 of the said Act, amended by section 135 of chapter 3 of the statutes of 1995, is again amended by adding the following paragraph:

"(4) in the case of an individual, the individual is deemed under any of paragraphs *b* to *f* of section 8 of the Taxation Act (chapter I-3) to be resident in Québec at that time."

(2) Subsection 1 has effect from 24 April 1996.

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

"**11.1.** Except for the purpose of determining the place of residence of an individual in the individual's capacity as a consumer, a person is deemed to be resident in Québec if the person is resident in Canada and has a permanent establishment in Québec.

However, where the person has a permanent establishment outside Québec but within Canada, the person is deemed not to be resident in Québec, but only in respect of activities carried on by the person through that establishment.

"**11.2.** For the purposes of section 11.1 and sections 22.2 to 22.30, "permanent establishment" of a person means

(1) in the case of an individual, the succession of a deceased individual or a trust that carries on a business, within the meaning of section 1 of the Taxation Act (chapter I-3), an establishment, within the meaning of the first paragraph of section 12 or section 13 or 15 of the Taxation Act, of the person;

(2) in the case of a corporation that carries on a business, within the meaning of section 1 of the Taxation Act, an establishment, within the meaning of the first paragraph of section 12 or any of sections 13 to 16 of the Taxation Act;

(3) in the case of a particular partnership,

(*a*) an establishment, within the meaning of the first paragraph of section 12 or section 13 or 15 of the Taxation Act, of a member that is an individual, the succession of a deceased individual or a trust where the establishment relates to a business, within the meaning of section 1 of the Taxation Act, carried on through the partnership,

(*b*) an establishment, within the meaning of the first paragraph of section 12 or any of sections 13 to 16 of the Taxation Act, of a member that is a corporation where the establishment relates to a business, within the meaning of section 1 of the Taxation Act, carried on by the particular partnership, or

(*c*) a permanent establishment, within the meaning of this section, of a member that is a partnership where the establishment relates to a business, within the meaning of section 1 of the Taxation Act, carried on by the particular partnership; and

(*d*) in any other case, a place that would be an establishment, within the meaning of the first paragraph of section 12 or any of sections 13 to 16 of the Taxation Act, of the person if the person were a corporation and its activities were a business for the purposes of that Act."

(2) Subsection 1 has effect from 1 April 1997.

395. (1) Sections 12 and 13 of the said Act are replaced by the following sections:

"**12.** A person not resident in Canada who has a permanent establishment in Québec is deemed to be resident in Québec, but only in respect of activities carried on by the person through that establishment.

"**13.** A person resident in Québec who has a permanent establishment outside Canada is deemed not to be resident in Québec, but only in respect of activities carried on by the person through that establishment."

(2) Subsection 1 has effect from 1 April 1997.

396. (1) Section 16 of the said Act, amended by section 248 of chapter 1 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**16.** Every recipient of a taxable supply made in Québec shall pay to the Minister of Revenue a tax in respect of the supply calculated at the rate of 7.5% on the value of the consideration for the supply."

(2) Subsection 1 has effect from 1 April 1997, except where it amends the first paragraph of section 16 of the said Act so that the reference therein to "6.5%" becomes a reference to "7.5%".

(3) Subsection 1, where it amends the first paragraph of section 16 of the said Act so that the reference therein to "6.5%" becomes a reference to "7.5%", has effect from 1 January 1998, except in respect of the supplies referred to in subsections 4 to 9.

(4) Subject to subsections 5 to 9, subsection 1, where it amends the first paragraph of section 16 of the said Act so that the reference therein to "6.5%" becomes a reference to "7.5%", applies in respect of

(*a*) any supply of property or a service for which all of the consideration becomes due after 31 December 1997 and is not paid before 1 January 1998;

(*b*) any supply of property or a service for which part of the consideration becomes due after 31 December 1997 and is not paid before 1 January 1998; however, tax at the rate of 6.5% shall be calculated on the value of any part of the consideration that becomes due or is paid before 1 January 1998.

(5) Where by reason of the application of section 86 of the said Act, tax under section 16 of that Act, as amended by subsection 1, in respect of a supply of corporeal movable property by way of sale, calculated on the value of the consideration, or a part thereof, for the supply is payable before 1 January 1998, the tax shall be calculated at the rate of 6.5%, except where by reason of the application of section 89 of the said Act, tax calculated on the value of the consideration, or a part thereof, is payable after 31 December 1997, in which case the tax shall be calculated at the rate of 7.5%.

(6) Subsection 1, where it amends the first paragraph of section 16 of the said Act so that the reference therein to "6.5%" becomes a reference to "7.5%", applies in respect of any supply of an immovable by way of sale made under an agreement in writing entered into after 31 December 1997 under which ownership and possession of the immovable are transferred to the recipient after that date.

(7) Subsection 1, where it amends the first paragraph of section 16 of the said Act so that the reference therein to "6.5%" becomes a reference to "7.5%", applies in respect of any supply made under an agreement in writing entered into after 31 December 1997 for the construction, renovation or alteration of, or repair to any immovable or any ship or other marine vessel.

(8) Subsection 1, where it amends the first paragraph of section 16 of the said Act so that the reference therein to "6.5%" becomes a reference to "7.5%", applies in respect of any supply of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit after 31 December 1997, unless consideration was paid before 26 March 1997.

(9) Where a supply of property or a service is made and consideration for the supply of the property or service delivered, performed or made available during any period beginning before 1 January 1998 and ending after 31 December 1997 is paid by the recipient under a budget payment arrangement with a reconciliation of the payments to take place at or after the end of the period, the following rules apply:

(*a*) at the time the supplier issues an invoice for the reconciliation of the payments, the supplier shall determine the positive or negative amount determined by the formula

$$A - B;$$

(*b*) if the amount determined under paragraph *a* in respect of a supply of property or a service is a positive amount and the supplier is a registrant, the supplier shall collect, and is deemed to have collected on the day the invoice for the reconciliation of payments is issued, that amount from the recipient as tax; and

(*c*) if the amount determined under paragraph *a* in respect of a supply of property or a service is a negative amount and the supplier is a registrant, the

supplier shall refund or credit that amount to the recipient and issue a credit note for that amount in accordance with section 449 of the said Act, unless the recipient issues a debit note for the amount.

(10) For the purposes of the formula in paragraph *a* of subsection 9,

(*a*) A is the total tax that would be payable by the recipient in respect of a supply of property or a service delivered, performed or made available during the period if it were calculated

i. at the rate of 6.5% on the value of the consideration attributable to that part of the property or service supplied that is delivered, performed or made available before 1 January 1998, if the consideration attributable to that part had become due or been paid before 1 January 1998, and

ii. at the rate of 7.5% on the value of the consideration attributable to that part of the property or service supplied that is delivered, performed or made available after 31 December 1997, if the consideration attributable to that part had become due after 31 December 1997 and had not been paid before 1 January 1998; and

(*b*) B is the total tax payable by the recipient in respect of a supply of the property or service delivered, performed or made available during the period.

(11) For the purposes of subsections 8 to 10, where a supply of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit is made during any period for which the supplier issues an invoice for the supply and, because of the method of recording the delivery of the property or the provision of the service, the time at which the property or a part thereof is delivered, or the time at which the service or a part thereof is provided, cannot reasonably be determined, an equal part of the whole of the property delivered, or of the whole of the service provided, in the period is deemed to have been delivered or provided, as the case may be, on each day of the period.

397. (1) Section 16.1 of the said Act, enacted by section 330 of chapter 14 of the statutes of 1997, is amended by replacing the first paragraph by the following paragraph:

"**16.1.** Every recipient of a zero-rated supply of a product mentioned in paragraph 1.1 of section 177 who begins, at any time, to use the product to make wine or beer shall, immediately after that time, pay to the Minister a tax in respect of the product calculated at the rate of 7.5% of the value of the consideration for the supply."

(2) Subsection 1 has effect from 1 April 1997. However, where the first paragraph of section 16.1 of the said Act, replaced by subsection 1, applies for the period from 1 April 1997 to 31 December 1997, it shall be read with "7.5%" replaced by "6.5%".

398. (1) Section 17 of the said Act, amended by section 249 of chapter 1 of the statutes of 1995 and by section 301 of chapter 63 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**17.** Every person who brings into Québec corporeal property for consumption or use in Québec by the person or at the person's expense by another person or for supply in Québec for consideration where the person is a small supplier who is not a registrant shall, immediately after the bringing into Québec of the property, pay to the Minister a tax in respect of that property, calculated at the rate of 7.5% on the value of the property."

(2) Subsection 1 has effect from 1 April 1997, except where it amends the first paragraph of section 17 of the said Act so that the reference therein to "6.5%" becomes a reference to "7.5%", in which case it applies in respect of a bringing into Québec after 31 December 1997.

399. (1) Section 17.5 of the said Act is amended by replacing paragraph 3 by the following paragraph:

"(3) within two years after the day the tax was paid, the person files with the Minister an application, in prescribed form containing prescribed information, for a rebate of the tax."

(2) Subsection 1 applies in respect of rebates relating to amounts paid as tax after 30 June 1996.

400. (1) Section 17.6 of the said Act is amended by replacing paragraph 3 by the following paragraph:

"(3) within two years after the day the tax was paid, the person files with the Minister an application, in prescribed form containing prescribed information, for a rebate of the tax."

(2) Subsection 1 applies in respect of rebates relating to amounts paid as tax after 30 June 1996.

401. (1) Section 18 of the said Act, amended by sections 253 and 357 of chapter 1 of the statutes of 1995 and by section 307 of chapter 63 of the statutes of 1995, is again amended

(1) by replacing the portion of the first paragraph before subparagraph 1 by the following:

"**18.** Every recipient of a taxable supply, other than a zero-rated supply or a supply referred to in section 18.0.1, shall pay to the Minister a tax in respect of the supply calculated at the rate of 7.5% on the value of the consideration for the supply if the supply is";

(2) by replacing the portion of subparagraph *d* of subparagraph 1 of the first paragraph before subparagraph i by the following:

"(*d*) a service (other than a custodial or nominee service in respect of securities or precious metals of the person) in respect of corporeal movable property that is";

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

"(*e*) a transportation service, other than a freight transportation service the supply of which is referred to in section 24.2, or";

(4) by striking out the second paragraph.

(2) Paragraph 1 of subsection 1, except where it amends the portion of the first paragraph of section 18 of the said Act before subparagraph 1 so that the reference therein to "6.5%" becomes a reference to "7.5%", and paragraph 4 of subsection 1 have effect from 1 April 1997.

(3) Paragraph 1 of subsection 1, where it amends the portion of the first paragraph of section 18 of the said Act before subparagraph 1 so that the reference therein to "6.5%" becomes a reference to "7.5%", has effect from 1 January 1998, except in respect of supplies referred to in subsections 4 to 6.

(4) Subject to subsections 5 and 6, paragraph 1 of subsection 1, where it amends the portion of the first paragraph of section 18 of the said Act before subparagraph 1 so that the reference therein to "6.5%" becomes a reference to "7.5%", applies in respect of any supply for which consideration becomes due after 31 December 1997 and is not paid before 1 January 1998.

(5) Paragraph 1 of subsection 1, where it amends the portion of the first paragraph of section 18 of the said Act before subparagraph 1 so that the reference therein to "6.5%" becomes a reference to "7.5%", applies in respect of any supply made under an agreement in writing entered into after 31 December 1997 for the construction, renovation or alteration of, or repair to any ship or other marine vessel.

(6) Paragraph 1 of subsection 1, where it amends the portion of the first paragraph of section 18 of the said Act before subparagraph 1 so that the reference therein to "6.5%" becomes a reference to "7.5%", applies in respect of any supply of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit after 31 December 1997.

(7) For the purposes of subsection 6, where a supply of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit is made during any period for which the supplier issues an invoice for the supply and, because of the method of recording the delivery of the property or the provision of the service, the time

at which the property or a part thereof is delivered, or the time at which the service or a part thereof is provided, cannot reasonably be determined, an equal part of the whole of the property delivered, or of the whole of the service provided, in the period is deemed to have been delivered or provided, as the case may be, on each day of the period.

(8) Paragraph 2 of subsection 1 has effect from 1 January 1997.

(9) Paragraph 3 of subsection 1 has effect from 1 July 1992.

402. (1) The said Act is amended by inserting, after section 18, the following sections:

"**18.0.1.** Every person who is resident in Québec and is the recipient of a taxable supply of incorporeal movable property or a service made outside Québec, otherwise than by reason of section 23 or 24.2, but within Canada that is acquired by the person for consumption, use or supply primarily in Québec shall pay to the Minister, each time consideration, or a part thereof, for the supply becomes due or is paid without having become due, a tax in respect of the supply equal to the amount determined by the formula

$$A \times B \times C.$$

For the purposes of this formula,

(1) A is 7.5%;

(2) B is the value of the consideration or a part thereof that is paid or becomes due at that time; and

(3) C is the extent, expressed as a percentage, to which the person acquired the property or service for consumption, use or supply in Québec.

No tax is payable in respect of

(1) a supply of property or a service to a registrant, other than a registrant whose net tax is determined under sections 433.1 to 433.14 or under a regulatory provision made under section 434, who acquired the property or service for consumption, use or supply exclusively in the course of commercial activities of the registrant;

(2) a zero-rated supply;

(3) a supply of a service, other than a custodial or nominee service in respect of securities or precious metals of the person, in respect of corporeal movable property that is shipped outside Québec as soon after the service is performed as is reasonable having regard to the circumstances surrounding the shipment outside Québec and is not consumed, used or supplied in Québec after the service is performed and before the property is shipped outside Québec;

(4) a supply of a service rendered in connection with criminal, civil or administrative litigation outside Québec, other than a service rendered before the commencement of such litigation;

(5) a supply of a transportation service;

(6) a supply of a telecommunication service; or

(7) a prescribed supply of property or a service where the property or service is acquired by the recipient of the supply in prescribed circumstances, in accordance with such terms and conditions as may be prescribed.

For the purposes of the first paragraph, a supply is made in Canada if it is deemed to be made in Canada under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

"**18.0.2.** Tax under sections 18 and 18.0.1 that is calculated on consideration, or a part thereof, for a supply that becomes payable at any time, or is paid at any time without having become due, becomes payable at that time."

(2) Subsection 1 has effect from 1 April 1997. However,

(*a*) for the period that begins on 1 April 1997 and ends on 31 December 1997, subparagraph 1 of the second paragraph of section 18.0.1 of the said Act, enacted by subsection 1, shall be read with "7.5%" replaced by "6.5%"; and

(*b*) for the period that begins on 1 January 1998, subparagraph 1 of the second paragraph of section 18.0.1 of the said Act, enacted by subsection 1, applies, except in respect of supplies referred to in subsections 3 to 5.

(3) Subject to subsections 4 and 5, subparagraph 1 of the second paragraph of section 18.0.1 of the said Act, enacted by subsection 1, applies in respect of any supply for which consideration becomes due after 31 December 1997 and is not paid before 1 January 1998.

(4) Subparagraph 1 of the second paragraph of section 18.0.1 of the said Act, enacted by subsection 1, applies in respect of any supply made under an agreement in writing entered into after 31 December 1997 for the construction, renovation or alteration of, or repair to, any ship or other marine vessel.

(5) Subparagraph 1 of the second paragraph of section 18.0.1 of the said Act, enacted by subsection 1, applies in respect of any supply of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit after 31 December 1997.

(6) For the purposes of subsection 5, where a supply of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit is made during any period for which

the supplier issues an invoice for the supply and, because of the method of recording the delivery of the property or the provision of the service, the time at which the property or a part thereof is delivered, or the time at which the service or a part thereof is provided, cannot reasonably be determined, an equal part of the whole of the property delivered, or of the whole of the service provided, in the period is deemed to have been delivered or provided, as the case may be, on each day of the period.

403. (1) Sections 21 to 22.1 of the said Act are repealed.

(2) Subsection 1, where it repeals sections 21 and 22 of the said Act, applies in respect of any supply of property or a service made after 31 March 1997 except where it repeals paragraph 5 of sections 21 and 22 of the said Act, in which case it has effect from 1 July 1992.

(3) In addition,

(*a*) where subparagraph *a* of paragraph 3 of section 21 of the said Act, repealed by subsection 1, applies in respect of supplies made after 23 April 1996 but before 1 April 1997, it shall be read as follows:

"(*a*) the property may be used in whole or in part in Québec, or"; and

(*b*) the said Act is amended by inserting the following sections, as of 1 July 1992, which sections are repealed in respect of supplies of a telecommunication service made after 31 March 1997:

"**22.0.1.** For the purposes of section 22.0.2, the billing location for a telecommunication service supplied to a recipient is in Québec if

(1) where the consideration payable for the service is charged or applied to an account that the recipient has with a person who carries on the business of supplying telecommunication services and the account relates to a telecommunications facility that is used or is available for use by the recipient to obtain telecommunication services, that telecommunications facility is ordinarily located in Québec; and

(2) in any other case, the telecommunications facility used to initiate the service is located in Québec.

"**22.0.2.** Notwithstanding sections 21 and 22 and subject to section 23, a supply of a telecommunication service is deemed to be made in Québec where

(1) in the case of a telecommunication service of making telecommunications facilities available to a person, the facilities or any part thereof are located in Québec; and

(2) in any other case,

(*a*) the telecommunication is emitted and received in Québec, or

(*b*) the telecommunication is emitted or received in Québec and the billing location for the service is in Québec."

(3) Subsection 1, where it repeals section 22.1 of the said Act, applies in respect of supplies of property or a service made after 31 December 1997.

404. (1) Section 22.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of any supply of property or a service made after 31 March 1997.

405. (1) The said Act is amended by inserting, after section 22.1, the following:

"1. — *Definitions and interpretation*

"**22.2.** For the purposes of sections 22.2 to 22.30,

"lease interval", in respect of a supply by way of lease, licence or similar arrangement, has the meaning assigned by section 32.2;

"place of negotiation" of a supply means the location of the supplier's permanent establishment at which the individual principally involved in negotiating for the supplier the agreement for the supply ordinarily works, or to which that individual ordinarily reports, in the performance of the individual's duties in relation to the activities of the supplier in the course of which the supply is made and, for the purposes of this definition, "negotiating" includes the making or acceptance of an offer;

"province" means a province of Canada and includes

(1) the Northwest Territories;

(2) the Yukon Territory;

(3) the Nova Scotia offshore area within the meaning of the Canada — Nova Scotia Offshore Petroleum Resources Accord Implementation Act (Statutes of Canada, 1988, chapter 28), to the extent that that area is a participating province within the meaning assigned by subsection 1 of section 123 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15);

(4) the Newfoundland offshore area, within the meaning of the Canada — Newfoundland Atlantic Accord Implementation Act (Statutes of Canada, 1987, chapter 3), to the extent that that area is a participating province within the meaning assigned by subsection 1 of section 123 of the Excise Tax Act.

"**22.3.** For the purposes of sections 22.2 to 22.30, a floating home, and a mobile home that is not affixed to land are each deemed to be corporeal movable property and not immovables.

"**22.4.** For the purposes of sections 22.2 to 22.30, where an agreement for the supply of property or a service is entered into but the property is not delivered to the recipient or the service is not performed, the property is deemed to have been delivered, or the service is deemed to have been performed, where the property or service was to be delivered or performed, as the case may be, under the terms of the agreement.

"**22.5.** Where, for the purpose of determining, under sections 22.2 to 22.30, if a supply is made in Québec, reference is made to the ordinary location of property and, from time to time, the supplier and the recipient mutually agree upon what is to be the ordinary location of the property at a particular time, that location is deemed, for the purposes of sections 22.2 to 22.30, to be the ordinary location of that property at the particular time.

"**22.6.** Sections 22.7 to 22.30 apply subject to sections 23, 24.2, 327.2 and 327.3.

"2. — *Corporeal movable property*

"**22.7.** A supply of corporeal movable property by way of sale is deemed to be made in Québec if the property is delivered in Québec to the recipient of the supply.

"**22.8.** A supply of corporeal movable property otherwise than by way of sale is deemed to be made in Québec if

(1) in the case of a supply made under an agreement under which continuous possession or use of the property is provided for a period of not more than three months, the property is delivered in Québec to the recipient of the supply; and

(2) in any other case,

(*a*) where the property is a road vehicle, it is required, at the time the supply is made, to be registered under the Highway Safety Code (chapter C-24.2), and

(*b*) where the property is not a road vehicle, the ordinary location of the property, as determined at the time the supply is made, is in Québec.

Notwithstanding the first paragraph, a supply of corporeal movable property otherwise than by way of sale is deemed to be made outside Québec if possession or use of the property is given or made available outside Canada to the recipient.

"**22.9.** For the purposes of sections 22.7, 22.8 and 22.21 to 22.24,

(1) property is deemed to be delivered in Québec where the supplier

(*a*) ships the property to a destination in Québec that is specified in the contract for carriage of the property or transfers possession of the property to a common carrier or consignee that the supplier has retained on behalf of the recipient to ship the property to such a destination, or

(*b*) sends the property by mail or courier to an address in Québec; and

(2) property is deemed to be delivered outside Québec where the supplier

(*a*) ships the property to a destination in another province that is specified in the contract for carriage of the property or transfers possession of the property to a common carrier or consignee that the supplier has retained on behalf of the recipient to ship the property to such a destination, or

(*b*) sends the property by mail or courier to an address in another province.

The first paragraph does not apply where the property is corporeal movable property supplied by way of sale that is, or is to be, delivered outside Canada to the recipient.

"3. — *Incorporeal movable property*

"**22.10.** For the purposes of section 22.11, "Canadian rights" in respect of incorporeal movable property means that part of the property that can be used in Canada.

"**22.11.** A supply of incorporeal movable property is deemed to be made in Québec if

(1) in the case of property that relates to an immovable,

(*a*) that part of the immovable that is situated in Canada is all or substantially all situated in Québec,

(*b*) the place of negotiation of the supply is in Québec and it is not the case that all or substantially all of the immovable is situated outside Québec, or

(*c*) that part of the immovable that is situated in Canada is situated primarily in Québec and

i. where the place of negotiation of the supply is outside Canada, all or substantially all of the immovable is situated in Canada, and

ii. where the place of negotiation of the supply is situated in another province, all or substantially all of the immovable is situated outside that province;

(2) in the case of property that relates to corporeal movable property,

(*a*) that part of the corporeal movable property that is ordinarily located in Canada is all or substantially all ordinarily located in Québec,

(*b*) the place of negotiation of the supply is in Québec and it is not the case that all or substantially all of the corporeal movable property is ordinarily located outside Québec, or

(*c*) that part of the corporeal movable property that is ordinarily located in Canada is ordinarily located primarily in Québec and

i. where the place of negotiation of the supply is outside Canada, all or substantially all of the movable property is ordinarily located in Canada, and

ii. where the place of negotiation of the supply is in another province, all or substantially all of the movable property is ordinarily located outside that province;

(3) in the case of property that relates to services that are to be performed,

(*a*) all or substantially all of the services that are to be performed in Canada are to be performed in Québec,

(*b*) the place of negotiation of the supply is in Québec and it is not the case that all or substantially all of the services are to be performed outside Québec, or

(*c*) the services that are to be performed in Canada are to be performed primarily in Québec and

i. where the place of negotiation of the supply is outside Canada, all or substantially all of the services are to be performed in Canada, and

ii. where the place of negotiation of the supply is in another province, all or substantially all of the services are to be performed outside that province; and

(4) in any other case,

(*a*) all or substantially all of the Canadian rights in respect of the property can be used only in Québec,

(*b*) the place of negotiation of the supply is in Québec and the property can be used otherwise than exclusively outside Québec, or

(*c*) the Canadian rights in respect of the incorporeal movable property cannot be used otherwise than primarily in Québec and

i. where the place of negotiation of the supply is outside Canada, the property cannot be used otherwise than exclusively in Canada, and

ii. where the place of negotiation of the supply is in another province, the property cannot be used otherwise than exclusively outside that province.

"4. — *Immovable*

"**22.12.** A supply of an immovable is deemed to be made in Québec if the immovable is situated in Québec.

"**22.13.** A supply of a service in relation to an immovable is deemed to be made in Québec if

(1) all or substantially all of the immovable that is situated in Canada is situated in Québec;

(2) the place of negotiation of the supply is in Québec and it is not the case that all or substantially all of the immovable is situated outside Québec; or

(3) all or substantially all of the immovable that is situated in Canada is situated primarily in Québec, unless

(*a*) the place of negotiation of the supply is outside Canada and it is not the case that all or substantially all of the immovable is situated in Canada, or

(*b*) the place of negotiation of the supply is in another province and it is not the case that all or substantially all of the immovable is situated outside that province.

"5. — *Service*

"**22.14.** For the purposes of section 22.15, "Canadian element" of a service means the portion of the service that is performed in Canada.

"**22.15.** Subject to sections 22.13 and 22.16 to 22.27, a supply of a service is deemed to be made in Québec if

(1) all or substantially all of the Canadian element of the service is performed in Québec;

(2) the place of negotiation of the supply is in Québec and it is not the case that all or substantially all of the service is performed outside Québec; or

(3) the Canadian element of the service is performed primarily in Québec, unless

(*a*) the place of negotiation of the supply is outside Canada and it is not the case that all or substantially all of the service is performed in Canada, or

(*b*) the place of negotiation of the supply is in another province and it is not the case that all or substantially all of the service is performed outside that province.

"6. — *Transportation service*

"**22.16.** For the purposes of this section and sections 22.17 to 22.20,

"continuous journey" has the meaning assigned by section 193;

"destination" of a freight transportation service means the place specified by the shipper of the property where possession of the property is transferred to the person to whom the property is consigned or addressed by the shipper;

"freight transportation service" has the meaning assigned by section 193;

"origin" of a continuous journey has the meaning assigned by section 193;

"stopover", in respect of a continuous journey, has the meaning assigned by section 193 except that it does not include, in the case of a continuous journey of an individual or group of individuals that does not include transportation by air and the origin and termination of which are in Canada, any place outside Canada where, at the time the journey begins, the individual or group is not scheduled to be outside Canada for an uninterrupted period of at least 24 hours during the course of the journey;

"termination" of a continuous journey has the meaning assigned by section 193.

"**22.17.** A supply of a passenger transportation service that is part of a continuous journey is deemed to be made in Québec if

(1) where the ticket or voucher issued in respect of the passenger transportation service included in the continuous journey that is provided first specifies the origin of the continuous journey, the origin is a place in Québec and the termination, and all stopovers, in respect of the continuous journey are in Canada; or

(2) in any other case, the place of negotiation of the supply is in Québec.

"**22.18.** A supply by a person of a service of transporting an individual's baggage in connection with a passenger transportation service supplied by the person to the individual is deemed to be made in Québec if the supply of the transportation service is made in Québec.

"**22.19.** Subject to sections 22.21 to 22.24, a supply of a freight transportation service is deemed to be made in Québec if the destination of the service is in Québec.

"**22.20.** A supply of a freight transportation service made from a place in Québec to a place outside Canada is deemed to be made in Québec.

"7. — *Postal service*

"**22.21.** For the purposes of this section and sections 22.22 to 22.24,

"permit imprint" means an indicia the use of which as evidence of the payment of postage exclusively by a person is authorized under an agreement between the Canada Post Corporation and the person, but does not include a postage meter impression or any "business reply" indicia or item bearing that indicia;

"postage stamp" means a stamp authorized by the Canada Post Corporation for use as evidence of the payment of postage, but does not include a postage meter impression, a permit imprint or any "business reply" indicia or item bearing that indicia.

"**22.22.** A supply of a postage stamp or a postage-paid card, package or similar item, other than an item bearing a "business reply" indicia, that is authorized by the Canada Post Corporation is deemed to be made in Québec if the supplier delivers the stamp or item in Québec to the recipient of the supply and, where the stamp or item is used as evidence of the payment of postage for a mail delivery service, the supply of the service is deemed to be made in Québec, unless

(1) the supply of the service is made pursuant to a bill of lading; or

(2) the consideration for the supply of the service is $5 or more, without reference to tax paid or payable under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), and the address to which the mail is sent is not in Québec.

"**22.23.** Where the payment of postage for a mail delivery service supplied by the Canada Post Corporation is evidenced by a postage meter impression printed by a meter, the supply of the service is deemed to be made in Québec if the ordinary location of the meter, as determined at the time the recipient of the supply pays an amount to the Corporation for the purpose of paying that postage, is in Québec, unless the supply is made pursuant to a bill of lading.

"**22.24.** Where the payment of postage for a mail delivery service supplied by the Canada Post Corporation otherwise than pursuant to a bill of lading is evidenced by a permit imprint, the supply of the service is deemed to be made in Québec if the recipient of the supply deposits the mail in Québec with the Corporation in accordance with the agreement between the recipient and the Corporation authorizing the use of the permit imprint.

"8. — *Telecommunication service*

"**22.25.** For the purposes of section 22.26, the billing location for a telecommunication service supplied to a recipient is in Québec if

(1) where the consideration paid or payable for the service is charged or applied to an account that the recipient has with a person who carries on the business of supplying telecommunication services and the account relates to a telecommunications facility that is used or is available for use by the recipient to obtain telecommunication services, that telecommunications facility is ordinarily located in Québec; and

(2) in any other case, the telecommunications facility used to initiate the service is located in Québec.

"**22.26.** A supply of a telecommunication service, other than a service referred to in section 22.27, is deemed to be made in Québec if,

(1) in the case of a telecommunication service of making telecommunications facilities available,

(*a*) all of those facilities are ordinarily located in Québec,

(*b*) part of the facilities is ordinarily located in Québec and the other part thereof is ordinarily located outside Canada, or

(*c*) where not all of the telecommunications facilities are ordinarily located in Québec, any part of the facilities is ordinarily located in another province and the invoice for the supply of the service is sent to an address in Québec; or

(2) in any other case,

(*a*) the telecommunication is emitted and received in Québec,

(*b*) the telecommunication is emitted or received in Québec and the billing location for the service is in Québec, or

(*c*) the telecommunication is emitted in Québec and is received outside Québec and

i. where the telecommunication is received outside Canada, the billing location is in another province, or

ii. where the telecommunication is received in another province, the billing location is not in that province.

"**22.27.** A supply of a telecommunication service of granting to the recipient of the supply sole access to a telecommunications channel, within the meaning of section 32.6, for transmitting telecommunications between a place in Québec and a place outside Québec but within Canada is deemed to be made in Québec.

"9. — *Deemed supply and prescribed supply*

"**22.28.** Notwithstanding sections 22.7 to 22.27, a supply of property that is deemed under any of sections 207 to 210.4, 238.1, 285 to 287, 298, 300, 320, 323.1, 325 and 337.2 to 341.9 to have been made or received at any time is deemed to be made in Québec if the property is situated in Québec at that time.

"**22.29.** Notwithstanding sections 22.7 to 22.27, a supply of property or a service is deemed to be made in Québec if the supply is deemed to be made in Québec under another provision of this Title or a provision of the Regulation respecting the Québec sales tax (Order in Council 1607-92 (1992, G.O. 2, 4952)) with amendments and future amendments.

"**22.30.** Notwithstanding sections 22.7 to 22.27, a prescribed supply of property or a service is deemed to be made in Québec.

"**22.31.** Notwithstanding sections 22.13 to 22.27, a supply of a service is deemed to be made outside Québec if it is a supply of a prescribed service.

"10. — *Special rules*

"**22.32.** A supply that is not deemed to be made in Québec under sections 22.7 to 22.24 and 22.28 to 22.30 is deemed to be made outside Québec."

(2) Subsection 1 applies in respect of any supply of property or a service made after 31 March 1997.

406. (1) Section 24.1 of the said Act is amended

(1) by replacing "22" by "22.32";

(2) by replacing, in the French text, the word "messager" by the word "messagerie".

(2) Paragraph 1 of subsection 1 applies in respect of any supply of property or a service made after 31 March 1997.

(3) Paragraph 2 of subsection 1 has effect from 1 July 1992.

407. (1) Section 24.2 of the said Act is replaced by the following section:

"**24.2.** The following are deemed made outside Québec:

(1) a supply of a freight transportation service in respect of the transportation of corporeal movable property from a place in Canada outside Québec to a place in Québec;

(2) a supply of a freight transportation service in respect of the transportation of corporeal movable property between two places in Québec where the service is part of a continuous freight movement, within the meaning of section 193, from a place in Canada outside Québec to a place in Québec and where the supplier of the service maintains documentary evidence satisfactory to the Minister that the service is part of a continuous freight movement from a place in Canada outside Québec to a place in Québec."

(2) Subsection 1 has effect from 1 July 1992.

408. (1) Section 26 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**26.** For the purposes of sections 18 and 18.0.1, where a person carries on a business through a permanent establishment of the person in Québec and through another permanent establishment outside Québec,".

(2) Subsection 1 has effect from 1 April 1997.

409. (1) The said Act is amended by inserting, after section 26, the following section:

"**26.1.** For the purposes of sections 25 and 26, "permanent establishment" has the meaning assigned by section 11.2 where a person is resident in Québec otherwise than by reason of section 12."

(2) Subsection 1 has effect from 1 April 1997.

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

"**29.** Where a public sector body makes a supply of a service, or a supply of the use by way of licence of a copyright, trade-mark, trade-name or other similar property of the body, to a person who is the sponsor of an activity of the body for use by the person exclusively in publicizing the person's business, the supply by the body of the service or the use of the property is deemed not to be a supply."

(2) Subsection 1 applies in respect of supplies made after 30 September 1992.

411. (1) Section 31 of the said Act is amended by replacing subparagraphs 1 and 2 of the second paragraph by the following subparagraphs:

"(1) an immovable that is

(*a*) a residential complex,

(*b*) land, a building or part of a building that forms or is reasonably expected to form part of a residential complex, or

(*c*) a residential trailer park; or

"(2) another immovable that is not part of an immovable referred to in subparagraph 1."

(2) Subsection 1 has effect from 1 July 1992.

412. (1) Section 31.1 of the said Act is repealed.

(2) Subsection 1 has effect from 1 April 1997.

413. (1) The said Act is amended by inserting, after section 32.1, the following sections:

"**32.2.** Where a supply of property is made by way of lease, licence or similar arrangement to a person for consideration that includes a payment that is attributable to a period (in this section referred to as the "lease interval") that is the whole or a part of the period during which possession or use of the property is provided under the arrangement,

(1) the supplier is deemed to have made, and the person is deemed to have received, a separate supply of the property for the lease interval;

(2) the supply of the property for the lease interval is deemed to be made on the earliest of

(*a*) the first day of the lease interval,

(*b*) the day on which the payment that is attributable to the lease interval becomes due, and

(*c*) the day on which the payment that is attributable to the lease interval is made; and

(3) the payment that is attributable to the lease interval is deemed to be consideration payable in respect of the supply of the property for the lease interval.

"**32.3.** Where a supply of a service is made to a person for consideration that includes a payment that is attributable to a period (in this section referred to as the "billing period") that is the whole or a part of the period during which the service is or is to be rendered under the agreement for the supply,

(1) the supplier is deemed to have made, and the person is deemed to have received, a separate supply of the service for the billing period;

(2) the supply of the service for the billing period is deemed to be made on the earliest of

(*a*) the first day of the billing period,

(*b*) the day on which the payment that is attributable to the billing period becomes due, and

(*c*) the day on which the payment that is attributable to the billing period is made; and

(3) the payment that is attributable to the billing period is deemed to be consideration payable in respect of the supply of the service for the billing period.

"**32.4.** Where a taxable supply of an immovable includes the provision of an immovable of which part is situated in Québec and another part is situated outside Québec but within Canada, for the purpose of determining whether a taxable supply of the immovable is made in Québec and determining the tax payable, if any, under section 16 in respect of the supply,

(1) the provision of the part of the immovable that is situated in Québec and the provision of the part of the immovable that is situated outside Québec are each deemed to be a separate taxable supply made for separate consideration; and

(2) the supply of the part of the immovable that is situated in Québec is deemed to be made for consideration equal to the portion of the total consideration for all of the immovable that may reasonably be attributed to that part.

"**32.5.** For the purpose of determining the tax payable under section 16 in respect of a supply of a freight transportation service, within the meaning of section 193, that includes the provision of a service of transporting particular corporeal movable property to a destination in Québec and other corporeal movable property to a destination outside Québec but within Canada and determining whether the supply of the service is made in Québec,

(1) the provision of the service of transporting the particular property and the provision of the service of transporting the other property are each deemed to be a separate supply made for separate consideration; and

(2) the supply of the service of transporting the particular property is deemed to be made for consideration equal to the portion of the total consideration that may reasonably be attributed to the transportation of the particular property.

"**32.6.** For the purposes of section 32.7, "telecommunications channel" means a telecommunications circuit, line, frequency, channel, partial channel

or other means of sending or receiving a telecommunication but does not include a satellite channel.

"**32.7.** Where a person supplies a telecommunication service of granting to the recipient of the supply sole access to a telecommunications channel for transmitting telecommunications between a place in Québec and a place outside Québec but within Canada, the consideration for the supply of the service is deemed to be equal to the amount determined by the formula

$$\left(\frac{A}{B}\right) \times C.$$

For the purposes of this formula,

(1) A is the distance over which the telecommunications would be transmitted in Québec if the telecommunications were transmitted solely by means of cable and related telecommunications facilities located in Canada that connected, in a direct line, the transmitters for emitting and receiving the telecommunications;

(2) B is the distance over which the telecommunications would be transmitted in Canada if the telecommunications were transmitted solely by such means; and

(3) C is the total consideration paid or payable by the recipient for the sole access to the telecommunications channel."

(2) Where it enacts sections 32.2 and 32.3 of the said Act, subsection 1 applies in respect of lease intervals and billing periods that begin after 31 March 1997.

(3) Where it enacts sections 32.4 to 32.7 of the said Act, subsection 1 has effect from 1 April 1997.

414. (1) Section 41.0.1, enacted by section 314 of chapter 63 of the statutes of 1995, section 41.1, amended by section 259 of chapter 1 of the statutes of 1995 and by section 315 of chapter 63 of the statutes of 1995, and section 41.2, amended by section 316 of chapter 63 of the statutes of 1995, of the said Act are replaced by the following sections:

"**41.0.1.** Where a registrant, in the course of a commercial activity of the registrant, acts as mandatary in making a supply, otherwise than by auction, on behalf of a person who is required to collect tax in respect of the supply otherwise than as a consequence of the application of paragraph 1 of section 41.1 and the registrant and the person jointly elect in prescribed form containing prescribed information, the following rules apply:

(1) the tax collectible in respect of the supply shall be included in determining the net tax of the registrant and not of the person as if the tax were collectible by the registrant; and

(2) the registrant and the person are solidarily liable for all obligations that arise upon or as a consequence of the tax becoming collectible or any failure to account for or remit the tax.

"**41.1.** Where a person (in this section referred to as the "mandator") makes a supply, other than an exempt or zero-rated supply, of corporeal movable property to a recipient, otherwise than by auction, in the case where the mandator is not required to collect tax in respect of the supply except as provided in this section and a registrant (in this section referred to as the "mandatary"), in the course of a commercial activity of the mandatary, acts as mandatary in making the supply on behalf of the mandator, the following rules apply:

(1) where the mandator is a registrant and the property was last used, or acquired for consumption or use, by the mandator in an endeavour of the mandator, within the meaning of section 42.0.1, and the mandator and the mandatary jointly elect in writing, the supply of the property to the recipient is deemed to be a taxable supply for the following purposes:

(*a*) all purposes of this Title, other than determining whether the mandator may claim an input tax refund in respect of property or services acquired or brought into Québec by the mandator for consumption or use in making the supply to the recipient, and

(*b*) the purpose of determining whether the mandator may claim an input tax refund in respect of a service supplied by the mandatary relating to the supply of the property to the recipient; and

(2) in any other case, the supply of the property to the recipient is deemed to be a taxable supply made by the mandatary and not by the mandator, and the mandatary is deemed, except for the purposes of section 327.7, not to have made a supply to the mandator of a service relating to the supply of the property to the recipient.

"**41.2.** Where a registrant (in this section referred to as the "auctioneer"), acting as auctioneer and mandatary for another person (in this section referred to as the "mandator") in the course of a commercial activity of the auctioneer, makes, on behalf of the mandator, a supply by auction of movable corporeal property to a recipient, the supply is deemed to be a taxable supply made by the auctioneer and not by the mandator, and the auctioneer is deemed, except for the purposes of section 327.7, not to have made a supply to the mandator of a service relating to the supply of the property to the recipient."

(2) Subject to subsections 3 and 4, subsection 1 applies in respect of any supply made after 23 April 1996 by a registrant to a recipient on behalf of

another person and to any supply made by the registrant to the other person of services relating to the supply to the recipient.

(3) Subsection 1 does not apply in respect of a supply of corporeal movable property made before 1 July 1996 where

(*a*) the supply is made by a mandatary otherwise than by auction on behalf of a mandator who would not have been required to collect tax in respect of the supply if the mandator had made the supply otherwise than through a mandatary and

i. if the mandatary disclosed in writing to the recipient of the supply that the mandatary was making the supply on behalf of another person who was not required to collect tax in respect of the supply, no amount on account of tax in respect of the supply was charged or collected, or

ii. in any other case, the mandatary pays to, or credits in favour of, the mandator the amount on account of the supply of the property determined under subparagraph 4 of the first paragraph of section 41.1 of the said Act, replaced by subsection 1, as it applied in respect of supplies made before 23 April 1996; or

(*b*) the supply is made by auction on behalf of a mandator and the auctioneer pays to, or credits in favour of, the mandator the amount on account of the supply of the property determined under section 41.4 of the said Act, repealed by subsection 1 of section (*insert the section number in this Act that repeals section 41.4*), for the purposes of section 41.2 of the said Act, replaced by subsection 1, as those sections applied in respect of supplies made before 23 April 1996.

(4) With respect to supplies by auction of corporeal movable property made before 1 April 1997,

(*a*) sections 41.0.1 and 41.1 of the said Act, replaced by subsection 1, shall be read without reference to ", otherwise than by auction,";

(*b*) the said Act shall be read without reference to section 41.2 thereof, replaced by subsection 1.

415. (1) The said Act is amended by inserting, after section 41.2, the following section:

"**41.2.1.** Where a registrant (in this section referred to as the "auctioneer"), on a particular day, makes a particular supply by auction of prescribed property on behalf of another registrant (in this section referred to as the "mandator") and, but for section 41.2, that supply would be a taxable supply made by the mandator, section 41.2 does not apply to the particular supply or to any supply made by the auctioneer to the mandator of a service relating to the particular supply where

(1) the auctioneer and the mandator jointly elect in prescribed form containing prescribed information in respect of the particular supply; and

(2) all or substantially all of the consideration for supplies made by auction on the particular day by the auctioneer on behalf of the mandator is attributable to supplies of prescribed property in respect of which the auctioneer and the mandator have elected under this section."

(2) Subsection 1 applies in respect of any supply made after 31 March 1997 by a registrant to a recipient on behalf of another person.

416. (1) Sections 41.3 to 41.5 of the said Act are repealed.

(2) Subject to subsection 3, subsection 1 applies in respect of any supply made after 23 April 1996 by a registrant to a recipient on behalf of another person.

(3) Subsection 1 does not apply in respect of a supply of corporeal movable property made before 1 July 1996 where

(*a*) the supply is made by a mandatary otherwise than by auction on behalf of a mandator who would not have been required to collect tax in respect of the supply if the mandator had made the supply otherwise than through a mandatary and

i. if the mandatary disclosed in writing to the recipient of the supply that the mandatary was making the supply on behalf of another person who was not required to collect tax in respect of the supply, no amount on account of tax in respect of the supply was charged or collected, or

ii. in any other case, the mandatary pays to, or credits in favour of, the mandator the amount on account of the supply of the property determined under subparagraph 4 of the first paragraph of section 41.1 of the said Act, replaced by subsection 1 of section (*insert the section number in this Act that replaces section 41.1 of the said Act*), as it applied in respect of supplies made before 23 April 1996; or

(*b*) the supply is made by auction on behalf of a mandator and the auctioneer pays to, or credits in favour of, the mandator the amount on account of the supply of the property determined under section 41.4 of the said Act, repealed by subsection 1, for the purposes of section 41.2 of the said Act, replaced by subsection 1 of section (*insert the section number in this Act that replaces section 41.2 of the said Act*), as those sections applied in respect of supplies made before 23 April 1996.

417. (1) Section 41.6 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**41.6.** Except for sections 294 to 297, 462 and 462.1, where a prescribed registrant, acting in the course of a commercial activity, makes a supply on behalf of another person of incorporeal movable property in respect of a product of an author, performing artist, painter, sculptor or other artist, the following rules apply:".

(2) Subsection 1 has effect from 1 July 1992. However, for the period that begins on 1 July 1992 and ends on 31 December 1992, the portion of section 41.6 of the said Act before paragraph 1, replaced by subsection 1, shall be read with ", 462 and 462.1" replaced by "and 462.1".

418. (1) Section 42.0.1 of the said Act, enacted by section 261 of chapter 1 of the statutes of 1995, is amended by replacing paragraph 1 by the following paragraph:

"(1) a business of the person;".

(2) Subsection 1 has effect from 24 April 1996.

419. (1) The said Act is amended by inserting, after section 42.0.1, the following sections:

"**42.0.1.1.** For the purposes of sections 42.0.1.2 to 42.0.5, "consideration" does not include nominal consideration.

"**42.0.1.2.** For the purposes of sections 42.0.1 to 42.0.9, where an amount is not consideration for a supply and is a grant, subsidy, forgivable loan or other assistance in the form of money and the assistance may reasonably be considered to be provided for the purpose of funding an activity of the registrant that involves the making of taxable supplies for no consideration, the amount is deemed to be consideration for those supplies where it is received by the registrant from a person who is

(1) a government, a municipality or a band within the meaning of section 2 of the Indian Act (Revised Statutes of Canada, 1985, chapter I-5);

(2) a corporation that is controlled by a person referred to in paragraph 1 and one of the main purposes of which is to provide such assistance; or

(3) a trust, board, commission or other body that is established by a person referred to in paragraph 1 or 2 and one of the main purposes of which is to provide such assistance."

(2) Subsection 1 has effect from 1 July 1992.

420. (1) Section 42.0.2 of the said Act, enacted by section 261 of chapter 1 of the statutes of 1995 and replaced by section 320 of chapter 63 of the statutes of 1995, is again replaced by the following section:

"**42.0.2.** Where a person acquires or brings into Québec property or a service for consumption or use in the course of an endeavour of the person, the person is deemed to have acquired or brought into Québec the property or service for consumption or use in the course of commercial activities of the person, to the extent that the property or service is acquired or brought into Québec by the person for the purpose of making taxable supplies for consideration in the course of that endeavour."

(2) Subsection 1 has effect from 1 July 1992. However, in respect of property or a service acquired or brought into Québec by a person before 1 August 1995 for consumption or use in the course of an endeavour of the person, section 42.0.2 of the said Act, replaced by subsection 1, shall be read as follows:

"**42.0.2.** Where a person acquires or brings into Québec property or a service for consumption or use in the course of an endeavour of the person, the person is deemed to have acquired or brought into Québec the property or service for consumption or use in the course of commercial activities of the person, to the extent that the property or service is acquired or brought into Québec by the person for the purpose of making taxable or non-taxable supplies for consideration in the course of that endeavour."

421. (1) Section 42.0.3 of the said Act, enacted by section 261 of chapter 1 of the statutes of 1995 and amended by section 321 of chapter 63 of the statutes of 1995, is again amended by replacing paragraph 1 by the following paragraph:

"(1) for the purpose of making supplies in the course of that endeavour that are not taxable supplies made for consideration; or".

(2) Subsection 1 has effect from 1 July 1992. However, in respect of property or a service acquired or brought into Québec by a person before 1 August 1995 for consumption or use in the course of an endeavour of the person, paragraph 1 of section 42.0.3 of the said Act, replaced by subsection 1, shall be read as follows:

"(1) for the purpose of making supplies in the course of that endeavour that are not taxable or non-taxable supplies made for consideration; or".

422. (1) Section 42.0.4 of the said Act, enacted by section 261 of chapter 1 of the statutes of 1995 and replaced by section 322 of chapter 63 of the statutes of 1995, is again replaced by the following section:

"**42.0.4.** Where a person consumes or uses property or a service in the course of an endeavour of the person, that consumption or use is deemed to be in the course of commercial activities of the person, to the extent that the consumption or use is for the purpose of making taxable supplies for consideration in the course of that endeavour."

(2) Subsection 1 has effect from 1 July 1992. However, in respect of property or a service consumed or used by a person before 1 August 1995 in the course of an endeavour of the person, section 42.0.4 of the said Act, replaced by subsection 1, shall be read as follows:

"**42.0.4.** Where a person consumes or uses property or a service in the course of an endeavour of the person, that consumption or use is deemed to be in the course of commercial activities of the person, to the extent that the consumption or use is for the purpose of making taxable or non-taxable supplies for consideration in the course of that endeavour."

423. (1) Section 42.0.5 of the said Act, enacted by section 261 of chapter 1 of the statutes of 1995 and amended by section 323 of chapter 63 of the statutes of 1995, is again amended by replacing paragraph 1 by the following paragraph:

"(1) for the purpose of making supplies in the course of that endeavour that are not taxable supplies made for consideration; or".

(2) Subsection 1 has effect from 1 July 1992. However, in respect of property or a service consumed or used by a person before 1 August 1995 in the course of an endeavour of the person, paragraph 1 of section 42.0.5 of the said Act, replaced by subsection 1, shall be read as follows:

"(1) for the purpose of making supplies in the course of that endeavour that are not taxable or non-taxable supplies made for consideration; or".

424. (1) Section 42.0.7 of the said Act, enacted by section 261 of chapter 1 of the statutes of 1995 and amended by section 325 of chapter 63 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**42.0.7.** The methods used by a person in a fiscal year to determine the extent to which properties or services are acquired or brought into Québec by the person for the purpose of making taxable supplies for consideration or for other purposes and the extent to which the consumption or use of properties or services is for the purpose of making taxable supplies for consideration or for other purposes shall be fair and reasonable and shall be used consistently by the person throughout the year."

(2) Subsection 1 has effect from 1 July 1992. However, in respect of properties or services acquired or brought into Québec, or consumed or used, by a person, as the case may be, before 1 August 1995, the first paragraph of section 42.0.7 of the said Act, replaced by subsection 1, shall be read as follows:

"**42.0.7.** The methods used by a person in a fiscal year to determine the extent to which properties or services are acquired or brought into Québec by the person for the purpose of making taxable or non-taxable supplies for

consideration or for other purposes and the extent to which the consumption or use of properties or services is for the purpose of making taxable or non-taxable supplies for consideration or for other purposes shall be fair and reasonable and shall be used consistently by the person throughout the year."

425. (1) Section 47 of the said Act is amended by replacing paragraph 2 by the following paragraph:

"(2) where property or a service is acquired or brought into Québec for consumption or use in relation to the immovable, sections 43 to 46 apply to the property or service only to the extent that it is acquired or brought into Québec for consumption or use in relation to the part that is not part of the residential complex."

(2) Subsection 1 has effect from 1 April 1997.

426. (1) Section 50 of the said Act is repealed.

(2) Subsection 1 has effect from 24 April 1996.

427. (1) Section 51.1 of the said Act is repealed.

(2) Subject to subsection 3, subsection 1 applies in respect of any supply of a road vehicle made by a registrant to a recipient on behalf of another person after 23 April 1996.

(3) Subsection 1 does not apply in respect of a supply of a road vehicle made before 1 July 1996 where

(*a*) the supply is made by a mandatary otherwise than by auction on behalf of a mandator who would not have been required to collect tax in respect of the supply if the mandator had made the supply otherwise than through a mandatary and

i. if the mandatary disclosed in writing to the recipient of the supply that the mandatary was making the supply on behalf of another person who was not required to collect tax in respect of the supply, no amount on account of tax in respect of the supply was charged or collected, or

ii. in any other case, the mandatary pays to, or credits in favour of, the mandator the amount on account of the supply of the property determined under subparagraph 4 of the first paragraph of section 41.1 of the said Act, replaced by subsection 1 of section (*insert the section number in this Act that replaces section 41.1 of the said Act*), as it applied in respect of supplies made before 23 April 1996; or

(*b*) the supply is made by auction on behalf of a mandator and the auctioneer pays to, or credits in favour of, the mandator the amount on account of the supply of the property determined under section 41.4 of the said Act, repealed

by subsection 1 of section (*insert the section number in this Act that repeals section 41.4 of the said Act*), for the purposes of section 41.4 of the said Act, replaced by subsection 1 of section (*insert the section number in this Act that replaces section 41.2 of the said Act*), as those sections applied in respect of supplies made before 23 April 1996.

428. (1) Section 52.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of any supply of a road vehicle made after 23 April 1996.

429. The said Act is amended by inserting, after section 54, the following sections:

"**54.1.** Where, at the time a supplier makes a supply of corporeal movable property to a recipient, the supplier accepts, in full or partial consideration for the supply, other property (in this section and in section 54.2 referred to as the "trade-in") that is used corporeal movable property or a leasehold interest therein and is acquired for consumption, use or supply in the course of a commercial activity of the supplier and the recipient is not required to collect tax in respect of the supply of the trade-in, the value of the consideration for the supply made by the supplier is deemed to be equal to the amount by which the value of the consideration for that supply, as otherwise determined, exceeds

(1) except where paragraph 2 applies, the amount credited to the recipient in respect of the trade-in; and

(2) where the supplier and the recipient are not dealing with each other at arm's length at the time the supply is made and the amount credited to the recipient in respect of the trade-in exceeds the fair market value of the trade-in at the time ownership thereof is transferred to the supplier, that fair market value.

"**54.2.** Section 54.1 does not apply

(1) for the purpose of determining, for the purposes of any provision of this Title, whether the value of consideration for a supply of property equals, exceeds or is less than another amount specified in another provision;

(2) for the purposes of sections 294, 295, 297, 462 and 462.1; or

(3) to any supply of a trade-in that is a zero-rated supply, a supply made outside Québec or a supply in respect of which no tax is payable because of paragraph 1 of section 75.1 or section 334."

(2) Subsection 1 applies in respect of any supply made after 23 April 1996 other than a supply to a recipient of particular property for which the supplier accepted, as full or partial consideration under an agreement in writing entered

into before 1 July 1996, other corporeal movable property where the supplier charged or collected tax in respect of the supply of the particular property calculated without reference to the amount credited by the supplier to the recipient in respect of the other corporeal movable property.

430. (1) Section 55 of the said Act, amended by section 329 of chapter 63 of the statutes of 1995, is again amended by replacing the second paragraph by the following paragraph:

"This section does not apply in respect of a supply of property or a service made by a person where

(1) an amount is deemed under section 290 to be the total consideration for the supply; or

(2) in the absence of the first paragraph,

(*a*) the person, because of section 203 or 206, would not be entitled to claim an input tax refund in respect of the acquisition or bringing into Québec of the property or service by the person,

(*b*) section 286 would apply to the supply, or

(*c*) the supply would be an exempt supply referred to in Division V.1 or VI of Chapter III."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996. However, where subparagraph *c* of subparagraph 2 of the second paragraph of section 55 of the said Act, replaced by subsection 1, applies in respect of a supply for which all of the consideration becomes due or is paid before 1997, it shall be read as follows:

"(*c*) the supply would be a supply referred to in sections 148 to 152."

(3) In addition, in respect of a supply of property or a service with respect to which a supplier, in determining an input tax refund of the supplier, is not entitled to include an amount in respect of the tax payable by the supplier in relation to the acquisition of the property or service because of section 206.1 of the said Act, subparagraph *a* of subparagraph 2 of the second paragraph of section 55 of the said Act, replaced by subsection 1, shall be read with "203 or 206" replaced by "203, 206 or 206.1".

431. (1) Sections 58 to 58.2 of the said Act are repealed.

(2) Subsection 1 applies in respect of supplies made after 31 December 1996 except that it does not apply in respect of supplies of admissions to a dinner, ball, concert, show or like event for which the supplier has supplied admissions before 1 January 1997.

432. (1) Section 60 of the said Act is replaced by the following section:

"**60.** Where a particular person bets an amount on a game of chance, a race or other event, the following rules apply:

(1) the person with whom the bet is placed is deemed to have made a supply of a service to the particular person;

(2) where the bet is placed in Québec, that supply is deemed to have been made in Québec; and

(3) the consideration for that supply is deemed to be equal to the amount determined by multiplying the total amount in respect of the bet that is given by the particular person to the person with whom the bet is placed, including any amount given as or on account of tax imposed on the particular person under this Title, by 100/107.5."

(2) Subsection 1 has effect from 1 July 1992. However,

(*a*) where subsection 1 applies for the period from 1 July 1992 to 31 March 1997, section 60 of the said Act, replaced thereby, shall be read as follows:

"**60.** Where a particular person bets an amount on a game of chance, a race or other event, the person with whom the bet is placed is deemed to have made a supply of a service to the particular person for consideration equal to the consideration fraction of the amount bet, including any amount given as or on account of tax imposed on the particular person under this Title.";

(*b*) where subsection 1 applies for the period from 1 April 1997 to 31 December 1997, paragraph 3 of section 60 of the said Act, replaced thereby, shall be read with "100/107.5" replaced by "100/106.5".

433. (1) Section 61 of the said Act is repealed.

(2) Subsection 1 has effect from 24 April 1996.

434. (1) Section 69 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**69.** Where tax that is at any time payable under section 16 in respect of one or more supplies included in an agreement, invoice or receipt is an amount that includes a fraction of a cent, the fraction,".

(2) Subsection 1 has effect from 1 April 1997.

435. (1) Section 69.1 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**69.1.** Where the consideration for a supply of a telecommunication service is paid by depositing coins in a coin-operated telephone and the tax payable is equal to a fraction of $0.05 or to the total of a multiple of $0.05 and a fraction of $0.05, the fraction".

(2) Subsection 1 applies in respect of any supply for which consideration is paid by the recipient after 23 April 1996.

436. (1) Section 69.3 of the said Act, enacted by section 264 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**69.3.** Where a registrant ordinarily uses a cash register to determine the tax payable by a recipient in respect of a taxable supply made by the registrant and the cash register does not have the capability of determining the tax by multiplying the value of the consideration for the supply by the rate of the tax or the value of the consideration determined without reference to the tax payable by the recipient under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) (in this section referred to as the "value of the adjusted consideration"), by 8.025%, or 15.025% if the registrant determines a total amount made up of both the tax under this Title and the tax under Part IX of the Excise Tax Act, the following rules apply:

(1) the registrant may, by means of the cash register, determine the tax payable by multiplying the value of the adjusted consideration by 8.02%; and

(2) the registrant may, by means of the cash register, determine the total amount made up of both that tax and the tax under Part IX of the Excise Tax Act by multiplying the value of the adjusted consideration by 15.02%."

(2) Subsection 1 has effect from 1 January 1998.

437. (1) The said Act is amended by inserting, after section 69.4, the following sections:

"**69.5.** Where the consideration for a supply of corporeal movable property or a service is paid by depositing a single coin in a mechanical coin-operated device that is designed to accept only a single coin of $0.25 or less as the total consideration for the supply and the corporeal movable property is dispensed from the device or the service is rendered through the operation of the device, the tax payable in respect of the supply is equal to zero.

"**69.6.** Where two or more taxable supplies are included in an invoice, agreement or receipt, the tax payable under section 16 in respect of those supplies, calculated on the consideration for those supplies that is indicated in the invoice, agreement or receipt, may be calculated on the total of that consideration."

(2) The portion of subsection 1 that enacts section 69.5 of the said Act applies in respect of supplies made after 23 April 1996. However, that section 69.5 shall be read as follows for the period before 1 April 1997:

"**69.5.** The tax payable in respect of a supply of corporeal movable property dispensed from, or a service rendered through the operation of, a mechanical coin-operated device that is designed to accept only a single coin as the total consideration for the supply is

(1) where the amount determined under section 16 is less than $0.025, equal to zero;

(2) where the amount determined under section 16 is equal to or greater than $0.025 but less than $0.05, equal to $0.05; and

(3) in any other case, equal to the amount determined under section 16."

(3) The portion of subsection 1 that enacts section 69.6 of the said Act has effect from 1 April 1997.

438. (1) Sections 78 and 79 of the said Act are repealed.

(2) Subsection 1 has effect from 1 July 1992.

439. (1) Section 79.1 of the said Act is replaced by the following section:

"**79.1.** No tax is payable in respect of the supply of a road vehicle of a deceased individual, which road vehicle must be registered under the Highway Safety Code (chapter C-24.2) following an application by the recipient of the vehicle, if the supply is made by the succession of the individual in accordance with the individual's will or the laws relating to the transmission of property on death or in settlement of rights arising out of the individual's marriage."

(2) Subsection 1 has effect from 1 July 1992.

440. (1) Section 80 of the said Act is amended, in the first paragraph,

(1) by replacing the portion before subparagraph 1 by the following:

"**80.** No tax is payable in respect of the supply of property of a deceased individual made by the succession of the individual where";

(2) by replacing subparagraph 2 by the following subparagraph:

"(2) the succession of the individual makes a supply of the property, in accordance with the individual's will or the laws relating to the transmission of property on death, to another individual who is a beneficiary of the individual's succession and a registrant;";

(3) by replacing subparagraph 4 by the following subparagraph:

"(4) the succession and the other individual make a joint election for the purposes of this section."

(2) Subsection 1 has effect from 1 July 1992.

441. (1) Section 80.1 of the said Act, replaced by section 265 of chapter 1 of the statutes of 1995, is amended by adding the following paragraph:

"Similarly, no tax is payable in respect of the supply of such a road vehicle where the supply is made between individuals in settlement of rights arising out of their marriage."

(2) Subsection 1 has effect from 1 July 1992.

442. (1) Section 81 of the said Act, amended by section 267 of chapter 1 of the statutes of 1995 and by section 342 of chapter 63 of the statutes of 1995, is again amended

(1) by replacing paragraph 5 by the following paragraph:

"(5) goods that are brought into Québec by a charity or a public institution and that have been donated to the charity or institution;";

(2) by replacing, in the French text, the word "messager" in paragraphs 8 and 8.1 by the word "messagerie";

(3) by replacing paragraph 10 by the following paragraph:

"(10) containers that, because of regulations made under paragraph *c* of Note 11 to Chapter 98 of Schedule I to the Customs Tariff, may be imported into Canada free of customs duties, or could be so imported but for the fact that the goods are from Canada outside Québec;";

(4) by adding the following paragraphs:

"(12) goods from Canada outside Québec that are supplied to a person by lease, licence or similar arrangement under which continuous possession or use of the goods is provided for a period of more than three months in circumstances in which tax under subsection 1 of section 165 of the Excise Tax Act is payable by the person in respect of the supply; and

"(13) a mobile home or floating home that has been used or occupied in Québec as a place of residence for individuals."

(2) Paragraph 1 of subsection 1 has effect from 1 January 1997.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 1 July 1992.

(4) Paragraph 4 of subsection 1 has effect from 1 April 1997.

443. (1) Section 93 of the said Act is repealed.

(2) Subsection 1 has effect from 24 April 1996.

444. (1) Section 98 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) of a residential complex or a residential unit in a residential complex by way of lease, licence or similar arrangement for the purpose of its occupation as a place of residence or lodging by an individual, where the period throughout which continuous occupation of the complex or unit is given to the same individual under the arrangement is at least one month; or".

(2) Subsection 1 applies in respect of any supply the agreement for which is entered into after 14 September 1992. However,

(*a*) it does not apply for the purpose of determining any amount granted by the Minister of Revenue before 24 April 1996 or determining any amount claimed

i. in an application under Division I of Chapter VII of Title I of the said Act received by the Minister of Revenue before 23 April 1996, or

ii. as a deduction, in respect of any adjustment, refund or credit under section 447 of the said Act, in a return under Chapter VIII of Title I of the said Act received by the Minister of Revenue before 23 April 1996; and

(*b*) where paragraph 1 of section 98 of the said Act, replaced by subsection 1, applies for the period from 14 September 1992 to 30 March 1997, it shall be read as follows:

"(1) of a residential complex or a residential unit in a residential complex by way of lease, licence or similar arrangement for the purpose of its occupation as a place of residence or lodging by an individual, where the period throughout which continuous occupation of the complex or unit is given to the same individual is at least one month; or".

445. (1) Section 99 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**99.** A supply of property is exempt where the property is land, a building, or that part of a building, that forms part of a residential complex or that consists solely of residential units, or a residential complex, and the supply is made by way of lease, licence or similar arrangement for a lease interval, within the meaning assigned by section 32.2, throughout which the lessee or any sub-lessee makes, or holds the property for the purpose of

making, one or more supplies of the property or parts of the property and all or substantially all of those supplies are".

(2) Subsection 1 has effect from 1 January 1993. However, where the portion of section 99 of the said Act before paragraph 1, replaced by subsection 1, applies for the period from 1 January 1993 to 30 March 1997, it shall be read with "32.2" replaced by "31.1" and the French text thereof shall be read with "une période de location" replaced by "un intervalle de location".

446. (1) Section 100 of the said Act is amended

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

"(1) of land, other than a site in a residential trailer park, by way of lease, licence or similar arrangement under which continuous possession or occupation of the land is provided for a period of at least one month, made to";

(2) by replacing the portion of paragraph 2 before subparagraph *a* by the following:

"(2) of a site in a residential trailer park, by way of lease, licence or similar arrangement under which continuous possession or occupation of the site is provided for a period of at least one month, made to the owner, lessee or person in occupation or possession of".

(2) Subsection 1 has effect in respect of any supply the agreement for which is entered into after 14 September 1992. However,

(*a*) it does not apply for the purpose of determining any amount granted by the Minister of Revenue before 24 April 1996 or determining any amount claimed

i. in an application under Division I of Chapter VII of Title I of the said Act received by the Minister of Revenue before 23 April 1996, or

ii. as a deduction, in respect of any adjustment, refund or credit under section 447 of the said Act, in a return under Chapter VIII of Title I of the said Act received by the Minister of Revenue before 23 April 1996;

(*b*) where the portion of paragraph 1 of section 100 of the said Act before subparagraph *a*, replaced by paragraph 1 of subsection 1, applies for the period from 14 September 1992 to 30 March 1997, it shall be read as follows:

"(1) of land, other than a site in a residential trailer park, by way of lease, licence or similar arrangement under which continuous possession or occupation of the land is provided for a period of at least one month, made to"; and

(*c*) where the portion of paragraph 2 of section 100 of the said Act before subparagraph *a*, replaced by paragraph 2 of subsection 1, applies for the period from 14 September 1992 to 30 March 1997, it shall be read as follows:

"(2) of a site in a residential trailer park, by way of lease, licence or similar arrangement under which continuous possession or occupation of the site is provided for a period of at least one month, made to the owner, lessee or person in occupation or possession of".

447. (1) Section 101 of the said Act, amended by section 268 of chapter 1 of the statutes of 1995, is again amended by replacing paragraph 2 by the following paragraph:

"(2) the space was, at any time, supplied to the supplier by way of sale and the supplier did not, after that time, claim an input tax refund in respect of an improvement to the space."

(2) Subsection 1 has effect from 1 April 1997.

448. (1) Section 101.1 of the said Act, amended by section 269 of chapter 1 of the statutes of 1995, is again amended by replacing the portion before paragraph 1 by the following:

"**101.1.** A supply of a parking space by way of lease, licence or similar arrangement under which any such space is made available throughout a period of at least one month, is exempt where the supply is".

(2) Subsection 1 applies in respect of any supply the agreement for which is entered into after 14 September 1992. However,

(*a*) it does not apply for the purpose of determining any amount granted by the Minister of Revenue before 24 April 1996 or determining any amount claimed

i. in an application under Division I of Chapter VII of Title I of the said Act received by the Minister of Revenue before 23 April 1996, or

ii. as a deduction, in respect of any adjustment, refund or credit under section 447 of the said Act, in a return under Chapter VIII of Title I of the said Act received by the Minister of Revenue before 23 April 1996;

(*b*) where the portion of section 101.1 of the said Act before paragraph 1, replaced by subsection 1, applies for the period that begins on 15 September 1992 and ends on 11 May 1994, it shall be read as follows:

"**101.1.** A supply of a parking area by way of lease, licence or similar arrangement under which any such area is made available throughout a period of at least one month, is exempt where the supply is"; and

(*c*) where the portion of section 101.1 of the said Act before paragraph 1, replaced by subsection 1, applies for the period that begins on 12 May 1994 and ends on 31 March 1997, it shall be read as follows:

"**101.1.** A supply of a parking space by way of lease, licence or similar arrangement under which any such space is made available throughout a period of at least one month, is exempt where the supply is".

449. (1) The said Act is amended by inserting, after section 101.1, the following section:

"**101.1.1.** For the purposes of section 102, "settlor", in relation to a testamentary trust constituted by reason of the death of an individual, means that individual."

(2) Subsection 1 has effect from 1 July 1992. However,

(*a*) it does not apply in respect of supplies for which the supplier, before 24 April 1996, charged or collected an amount as or on account of tax; and

(*b*) section 324.7 of the said Act, enacted by section (*insert the section number in this Act that enacts section 324.7 of the said Act*), does not apply for the purposes of section 101.1.1 of the said Act, enacted by subsection 1.

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

"**102.** A supply of an immovable by way of sale made by an individual or a personal trust is exempt, except where the supply is

(1) a supply of an immovable that is, immediately before the time ownership or possession of the immovable is transferred to the recipient of the supply under the agreement for the supply, capital property used primarily in a business of the individual or trust with a reasonable expectation of profit;

(2) a supply of an immovable made

(*a*) in the course of a business of the individual or trust, or

(*b*) in the course of an adventure or concern in the nature of trade of the individual or trust, where the individual or trust has filed an election with and as prescribed by the Minister for that purpose in prescribed form containing prescribed information;

(2.1) a supply of a part of a parcel of land, which parcel the individual, trust or settlor of a testamentary trust subdivided or severed into parts, except where

(*a*) the parcel was subdivided or severed into two parts and the individual, trust or settlor of a testamentary trust did not subdivide or sever that parcel from another parcel of land, or

(*b*) the recipient of the supply is an individual who is related to, or is a former spouse of, the individual or settlor of a testamentary trust and is acquiring the part for the personal use and enjoyment of the recipient;

(3) a supply deemed under any of sections 256 to 262 to have been made; or

(4) a supply of a residential complex.

For the purposes of subparagraph 2.1 of the first paragraph, a part of a parcel of land that the individual, trust or settlor of a testamentary trust supplies to a person who has the right to acquire it by expropriation, and the remainder of that parcel, are deemed not to have been subdivided or severed from each other by the individual, trust or settlor of a testamentary trust, as the case may be."

(2) Subsection 1 has effect from 1 July 1992. However,

(*a*) it does not apply in respect of supplies for which the supplier, before 24 April 1996, charged or collected an amount as or on account of tax;

(*b*) section 324.7 of the said Act, enacted by (*insert the section number in this Act that enacts section 324.7 of the said Act*), does not apply for the purposes of section 102 of the said Act, replaced by subsection 1; and

(*c*) subparagraph 2.1 of the first paragraph and the second paragraph of section 102 of the said Act, enacted by subsection 1, do not apply to supplies of an immovable made before 24 April 1996.

451. (1) The said Act is amended by inserting, after section 106.2, the following sections:

"**106.3.** A supply to a consumer of the right to use a washing machine or clothes-dryer that is located in a common area of a residential complex is exempt.

"**106.4.** A supply by way of lease, licence or similar arrangement of that part of the common area of a residential complex that is used as a laundry, made to a person who so acquires the property for use in the course of making supplies described in section 106.3, is exempt."

(2) Section 106.3 of the said Act, enacted by subsection 1, has effect in respect of supplies made after 23 April 1996.

(3) Section 106.4 of the said Act, enacted by subsection 1, has effect in respect of any supply of property by way of lease, licence or similar arrangement made after 23 April 1996 and for which consideration becomes due after that date or is paid after that date without having become due. However,

(*a*) for the purpose of determining an input tax refund for the reporting period of the supplier that includes 15 December 1996 or for any preceding reporting period of the supplier, in respect of property or a service acquired or brought into Québec by the supplier before 16 December 1996 for consumption or use in the course of making a supply, the supply is deemed to be a taxable supply; and

(*b*) where the supply of the property is made during a lease period that begins before 24 April 1996 and ends after that date, the provision of the property for the part of the lease period that is before 24 April 1996 and the provision of the property for the remainder of the lease period shall each be deemed to be a separate supply and the supply of the property for that remainder of the lease period is deemed to be made on 24 April 1996.

452. (1) Section 108 of the said Act is amended

(1) by replacing the definition of "physician" by the following definition:

""medical practitioner" means a physician within the meaning of the Medical Act (chapter M-9) or a dentist within the meaning of the Dental Act (chapter D-3) and includes a person who is entitled under the laws of another province, the Northwest Territories or the Yukon Territory to practise the profession of medicine or dentistry;";

(2) in the definition of "practitioner",

(*a*) by replacing the portion before paragraph 2 by the following:

""practitioner" means a person who practises the profession of audiology, chiropody, chiropractic, dietetics, occupational therapy, optometry, physiotherapy, podiatry or psychology in Québec and who

(1) where the person is required to be licensed or otherwise authorized to practise that profession in Québec, is so licensed or otherwise authorized;";

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

"(3) where the person practises the profession of psychology, is registered in the Canadian Register of Health Service Providers in Psychology."

(2) Paragraph 2 of subsection 1 has effect from 1 January 1997. However, in respect of supplies made during the year 1997, the portion of the definition of "practitioner" before paragraph 1 of section 108 of the said Act, enacted by paragraph 2 of subsection 1, shall be read as follows:

""practitioner" means a person who practises the profession of audiology, chiropody, chiropractic, dietetics, occupational therapy, optometry, speech-therapy, osteopathy, physiotherapy, podiatry or psychology in Québec and who".

453. (1) Section 111 of the said Act is amended by adding the following paragraph:

"However, such a supply does not include a supply of an air ambulance service referred to in section 197.1."

(2) Subsection 1 has effect from 1 July 1992.

454. Section 113 of the said Act, amended by section 120 of chapter 3 of the statutes of 1997, is again amended by replacing the portion before paragraph 1 by the following:

"**113.** A supply of nursing services rendered by a nurse or a nursing assistant is exempt where".

455. (1) Section 114 of the said Act is replaced by the following section:

"**114.** A supply of an audiological, chiropodic, chiropractic, occupational therapy, optometric, physiotherapy, podiatric or psychological service, when rendered to an individual, is exempt where the supply is made by a practitioner."

(2) Subsection 1 applies in respect of supplies made after 31 December 1997.

456. (1) The said Act is amended by inserting, after section 114, the following section:

"**114.1.** A supply of a dietetic service made by a practitioner is exempt where

(1) the service is rendered to an individual;

(2) the supply is made to a public sector body; or

(3) the supply is made to the operator of a health care institution."

(2) Subsection 1 applies in respect of supplies made after 31 December 1996.

457. (1) Section 119 of the said Act is repealed.

(2) Subsection 1 applies in respect of supplies made after 31 December 1997.

458. (1) Section 120 of the said Act is amended by replacing the definition of "vocational school" by the following definition:

""vocational school" means an institution established and operated primarily to provide students with correspondence courses, or instruction in courses, that develop or enhance students' occupational skills."

(2) Subsection 1 has effect in relation to supplies made after 1 January 1997.

459. (1) Section 122 of the said Act is amended by adding the following paragraph:

"This section does not apply to food or beverages prescribed for the purposes of section 131 or food or beverages supplied through a vending machine."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996.

460. (1) Section 127 of the said Act is amended by replacing paragraph 3 by the following paragraph:

"(3) the supplier is a public institution or a non-profit organization."

(2) Subsection 1 applies in respect of supplies made after 31 December 1996.

461. (1) Section 132 of the said Act is replaced by the following section:

"**132.** A supply of a meal to a student enrolled at a university or public college is exempt where the meal is provided under a plan that is for a period of at least one month and under which the student purchases from the supplier for a single consideration only the right to receive at a restaurant or cafeteria at the university or college at least 10 meals weekly throughout the period."

(2) Subsection 1 applies in respect of supplies for which all of the consideration becomes due after 30 June 1996 or is paid after 30 June 1996 without having become due.

462. (1) The said Act is amended by inserting, after Division V of Chapter III of Title I, the following division:

"DIVISION V.1

"CHARITIES

"**138.1.** A supply made by a charity of any property or service is exempt, except a supply of

(1) property or a service referred to in Chapter IV;

(2) property or a service the supply of which is deemed under this Title, except section 60, to have been made by the charity;

(3) movable property, other than property that was acquired, manufactured or produced by the charity for the purpose of making a supply by way of sale of the property, where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the property was used, otherwise than in making the supply, in the course of commercial activities of the charity or, in the case of capital property, primarily in such activities;

(4) corporeal movable property that was acquired, manufactured or produced by the charity for the purpose of making a supply of the property and was neither donated to the charity nor used by another person before its acquisition by the charity, or any service supplied by the charity in respect of such property, other than such property or such a service supplied by the charity under a contract for catering;

(5) an admission in respect of a place of amusement unless the maximum consideration for a supply by the charity of such an admission does not exceed one dollar;

(6) a service involving, or a membership or other right entitling a person to, instruction or supervision in any recreational or athletic activity except where

(*a*) it could reasonably be expected, given the nature of the activity or the degree of relevant skill or ability required for participation in it, that such services, memberships or rights supplied by the charity would be provided primarily to children 14 years of age or under and the services are not supplied as part of, membership is not in, or the right is not in respect of, a program involving overnight supervision throughout a substantial portion of the program, or

(*b*) such services, memberships or rights supplied by the charity are intended to be provided primarily to individuals who are underprivileged or who have a disability;

(7) a membership, other than a membership described in subparagraphs *a* and *b* of paragraph 6, where the membership

(*a*) entitles the member to an admission in respect of a place of amusement the supply of which, were it made separately from the supply of the membership, would be a taxable supply, or to a discount on the value of consideration for a supply of such an admission, except where the value of the admission or discount is insignificant in relation to the consideration for the membership, or

(*b*) includes a right to participate in a recreational or athletic activity, or use facilities, at a place of amusement, except where the value of the right is insignificant in relation to the consideration for the membership;

(8) services of performing artists in a performance where the supply is made to a person who makes taxable supplies of admissions in respect of the performance;

(9) a right, other than an admission, to play or participate in a game of chance where the charity is a prescribed person or the game is a prescribed game of chance;

(10) a residential complex, or an interest therein, where the supply is made by way of sale;

(11) an immovable where the supply is made by way of sale to an individual or a personal trust, other than a supply of an immovable on which is situated a structure that was used by the charity as an office or in the course of commercial activities or of making exempt supplies;

(12) an immovable where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the immovable was used, otherwise than in making the supply, primarily in commercial activities of the charity; or

(13) an immovable in respect of which an election under section 272 is in effect at the time tax would become payable in respect of the supply if it were a taxable supply.

"**138.2.** A supply made by a charity of an admission to a fund-raising dinner, ball, concert, show or like fund-raising activity is exempt where part of the consideration for the supply may reasonably be regarded as an amount that is donated to charity and in respect of which a receipt referred to in section 712 or 752.0.10.3 of the Taxation Act (chapter I-3) may be issued or could be issued if the recipient of the supply were an individual.

"**138.3.** A supply by way of sale of movable property or a service made by a charity in the course of a fund-raising activity is exempt, but does not include

(1) a supply of any property or service where the charity makes supplies of such property or services in the course of that activity on a regular or continuous basis throughout the year or a significant portion of the year;

(2) a supply of any property or service where the agreement for the supply entitles the recipient to receive from the charity property or services on a regular or continuous basis throughout the year or a significant portion of the year;

(3) a supply of property or a service referred to in any of paragraphs 1 to 3 or 9 of section 138.1; or

(4) a supply of an admission in respect of a place of amusement at which the principal activity is the placing of bets or the playing of games of chance.

"**138.4.** A supply made by a charity of food or beverages to seniors, underprivileged individuals or individuals with a disability under a program established and operated for the purpose of providing prepared food to such individuals in their places of residence and any supply of food or beverages made to the charity for the purposes of the program are exempt.

"**138.5.** A supply made by a charity of any property or service, other than a supply of blood or blood derivatives, is exempt where all or substantially all of the supplies of the property or service by the charity are made for no consideration.

"**138.6.** A supply by way of sale made by a charity to a recipient of corporeal movable property, other than capital property of the charity, or of a service purchased by the charity for the purpose of making a supply by way of sale of the service, is exempt where the total charge for the supply is equal to the usual charge by the charity for such supplies to such recipients and

(1) if the charity does not charge the recipient any amount as tax in respect of the supply, the total charge for the supply does not, and could not reasonably be expected to, exceed the direct cost of the supply; and

(2) if the charity charges the recipient an amount as tax in respect of the supply, the consideration for the supply determined without reference to tax paid or payable under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) does not, and could not reasonably be expected to, equal or exceed the direct cost of the supply determined without reference to tax paid or payable under Part IX of the Excise Tax Act.

"**138.7.** A supply made by a charity of an admission in respect of a place of amusement at which the principal activity is the placing of bets or the playing of games of chance is exempt where

(1) the administrative function and the other functions performed in operating the game and taking the bets are performed exclusively by volunteers; and

(2) in the case of a bingo or casino, the game is not conducted in premises or at a place, including any temporary structure, that is used primarily for the purpose of conducting gambling activities."

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due. However, in respect of supplies made by a charity of admissions to a dinner, ball, concert, show or like event before 1 January 1997, Chapter III of Title I of the said Act applies as if this Act were not enacted.

463. (1) Section 139 of the said Act, amended by section 952 of chapter 2 of the statutes of 1996, is again amended

(1) by striking out the definition of "direct cost";

(2) by inserting the following definition in the appropriate alphabetical order:

""public service body" does not include a charity;";

(3) by inserting the following definition in the appropriate alphabetical order:

""public sector body" does not include a charity;";

(4) by inserting the following definition in the appropriate alphabetical order:

""authorized party" means a party, including any regional or local association of the party, a candidate or a referendum committee governed by an Act of the Legislature of Québec or of the Parliament of Canada that imposes requirements relating to election finances or referendum expenses."

(2) Paragraphs 1 to 3 of subsection 1 have effect from 1 January 1997. In addition, the definitions of "public service body" and "public sector body", enacted respectively by paragraphs 2 and 3 of subsection 1, also apply in respect of any supply made before 1 January 1997 if

(*a*) the supply is made by a person who, on 1 January 1997, is a charity within the meaning assigned on 1 January 1997 by section 1 of the said Act; and

(*b*) consideration for the supply becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

(3) Paragraph 4 of subsection 1 has effect from 23 April 1996. In addition, the definition of "authorized party" also applies in respect of any supply made before 23 April 1996 for which consideration becomes due after 22 April 1996 or is paid after 22 April 1996 without having become due.

464. (1) Section 140 of the said Act is repealed.

(2) Subsection 1 has effect from 1 January 1997.

465. (1) Section 141 of the said Act, amended by section 273 of chapter 1 of the statutes of 1995, is again amended

(1) by replacing the portion before paragraph 1 by the following:

"**141.** A supply made by a public institution of movable property or a service is exempt, except a supply of";

(2) by replacing paragraphs 2 to 5 by the following paragraphs:

"(2) property or a service the supply of which is deemed under this Title to have been made by the institution;

"(3) property, other than capital property of the institution or property that was acquired, manufactured or produced by the institution for the purpose of making a supply of the property, where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the property was used, otherwise than in making the supply, in the course of commercial activities of the institution;

"(4) capital property of the institution where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the property was used, otherwise than in making the supply, primarily in commercial activities of the institution;

"(5) corporeal property that was acquired, manufactured or produced by the institution for the purpose of making a supply of the property and was neither donated to the institution nor used by another person before its acquisition by the institution, or any service supplied by the institution in respect of such property, other than such property or such a service supplied by the institution under a contract for catering;";

(3) by replacing paragraph 7 by the following paragraph:

"(7) property or a service made by the institution under a contract for catering, for an event or occasion sponsored or arranged by another person who contracts with the institution for such supply;".

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

466. (1) Sections 142 and 143 of the said Act are repealed.

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

467. (1) The said Act is amended by inserting, after section 143, the following sections:

"**143.1.** A supply made by a public institution of an admission to a fund-raising dinner, ball, concert, show or like fund-raising activity is exempt where part of the consideration for the supply may reasonably be regarded as an amount that is donated to the institution and in respect of which a receipt referred to in section 712 or 752.0.10.3 of the Taxation Act (chapter I-3) may be issued or could be issued if the recipient of the supply were an individual.

"**143.2.** A supply by way of sale of movable property or a service made by a public institution in the course of a fund-raising activity is exempt, but does not include

(1) a supply of any property or service where the institution makes supplies of such property or services in the course of that activity on a regular or continuous basis throughout the year or a significant portion of the year;

(2) a supply of any property or service where the agreement for the supply entitles the recipient to receive from the institution property or services on a regular or continuous basis throughout the year or a significant portion of the year;

(3) a supply of property or a service referred to in any of paragraphs 1 to 4 or 11 of section 141; or

(4) a supply of an admission in respect of a place of amusement at which the principal activity is the placing of bets or the playing of games of chance."

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due. However, section 143.1 of the said Act, enacted by subsection 1, does not apply to supplies of admissions to a dinner, ball, concert, show or like event for which admissions have been supplied before 1 January 1997.

468. (1) Section 146 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**146.** A supply made by a public institution or non-profit organization of a right, other than an admission, to play or participate in a game of chance is exempt."

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

469. (1) Section 147 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) by a public institution or non-profit organization, other than a prescribed person; or".

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

470. (1) Section 148 of the said Act is replaced by the following section:

"**148.** A supply by way of sale made by a public service body to a recipient of corporeal movable property, other than capital property of the body, or of a service purchased by the body for the purpose of making a supply by way of sale of the service is exempt, where the total charge for the supply is equal to the usual charge by the body for such supplies to such recipients and

(1) if the body does not charge the recipient any amount as tax in respect of the supply, the total charge for the supply does not, or could not reasonably be expected to, exceed the direct cost of the supply; and

(2) if the body charges the recipient an amount as tax in respect of the supply, the consideration for the supply determined without reference to tax paid or payable under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) does not, and could not reasonably be expected to, equal or exceed the direct cost of the supply determined without reference to tax paid or payable under Part IX of the Excise Tax Act."

(2) Subsection 1 has effect in respect of supplies for which all of the consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

471. (1) Sections 149 and 150 of the said Act are repealed.

(2) Subsection 1 has effect in respect of supplies for which all of the consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

472. (1) Sections 151 and 152 of the said Act are replaced by the following sections:

"**151.** A supply made by a public sector body of an admission in respect of a place of amusement is exempt where the maximum consideration for a supply by the body of such an admission does not exceed one dollar.

"**152.** A supply made by a public sector body of any property or service, other than a supply of blood or blood derivatives, is exempt where all or substantially all of the supplies of the property or service by the body are made for no consideration."

(2) The portion of subsection 1 that replaces section 151 of the said Act has effect in respect of supplies made after 23 April 1996.

(3) The portion of subsection 1 that replaces section 152 of the said Act has effect from 1 July 1992. However, with respect to supplies made before 24 April 1996, the reference in the French text of that section to "des fournitures du bien ou du service" shall be read as a reference to "des fournitures d'un tel bien ou d'un tel service".

473. (1) Section 154 of the said Act is amended, in the first paragraph, by replacing subparagraph 2 by the following subparagraph:

"(2) the program is provided primarily for underprivileged individuals or individuals with a disability."

(2) Subsection 1 has effect from 20 March 1997.

474. (1) Section 155 of the said Act is replaced by the following section:

"**155.** A supply made by a public sector body of board and lodging, or recreational services, at a recreational camp or similar place under a program or arrangement for providing the board and lodging or services primarily to underprivileged individuals or individuals with a disability is exempt."

(2) Subsection 1 has effect from 20 March 1997.

475. (1) Section 157 of the said Act, amended by section 121 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**157.** A supply made by a public sector body of food or beverages to seniors, underprivileged individuals or individuals with a disability under a program established and operated for the purpose of providing prepared food to those individuals in their places of residence and any supply of food or beverages made to the public sector body for the purposes of the program are exempt."

(2) Subsection 1 has effect from 20 March 1997.

476. (1) Section 159 of the said Act is amended, in the first paragraph, by replacing the portion before subparagraph 1 by the following:

"**159.** A supply of a membership in a public sector body, other than a membership in a club the main purpose of which is to provide dining, recreational or sporting facilities or in an authorized party, is exempt where each member does not receive a benefit by reason of the membership, other than".

(2) Subsection 1 has effect in respect of supplies made after 23 April 1996. However, section 159 of the said Act, replaced by subsection 1, does not apply to any supply of a membership in respect of which the supplier issued an offer in writing, or an invoice, to the recipient of the supply before 1 June 1996.

477. (1) The said Act is amended by inserting, after section 159, the following section:

"**159.1.** Notwithstanding section 159, where a public sector body has made an election under section 17 of Part VI of Schedule V to the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), the body is deemed to

have made an election under the second paragraph of section 159 and the election is deemed to become effective on the day an election under section 17 of Part VI of Schedule V to that Act is to become effective."

(2) Subsection 1 has effect from 1 August 1995.

478. (1) The said Act is amended by inserting, after section 160, the following sections:

"**160.1.** A supply of a membership in an authorized party is exempt.

"**160.2.** A supply made by an authorized party to a person is exempt where part of the consideration for the supply may reasonably be regarded as an amount (in this section referred to as the "amount contributed") that is contributed to the authorized party and the person can claim a deduction or credit in determining the person's tax payable under the Taxation Act (chapter I-3) or the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the total of such amounts contributed."

(2) The portion of subsection 1 that enacts section 160.1 of the said Act has effect in respect of supplies made after 23 April 1996 other than a supply in respect of which the supplier issued an offer in writing, or an invoice, to the recipient of the supply before 1 June 1996.

(3) The portion of subsection 1 that enacts section 160.2 of the said Act has effect in respect of supplies made after 31 December 1996 other than supplies of admissions to an event for which any admissions are supplied by the authorized party before 1 January 1997.

479. (1) Section 162 of the said Act, amended by section 345 of chapter 63 of the statutes of 1995, is again amended

(1) by replacing paragraph 5 by the following paragraph:

"(5) a service of providing information, or a certificate or other document, in respect of

(*a*) the title to, or any right in, property,

(*b*) any encumbrance or assessment in respect of property, or

(*c*) the zoning of an immovable;";

(2) by replacing paragraph 8 by the following paragraph:

"(8) a service of collecting garbage, including recyclable materials; and".

(2) Paragraph 1 of subsection 1 has effect in respect of supplies for which all of the consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

(3) Paragraph 2 of subsection 1 has effect from 1 July 1992. However, in respect of supplies of services performed before 1 January 1997, paragraph 8 of section 162 of the said Act, replaced by paragraph 2 of subsection 1, shall be read as follows:

"(8) a service of collecting garbage, including recyclable materials, but not including a supply of a service that is not part of the basic garbage collection service supplied by a government or a municipality on a regularly scheduled basis; and".

480. (1) Section 164 of the said Act is replaced by the following section:

"**164.** A supply of a municipal service made by or on behalf of a government or municipality to owners or occupants of immovables situated in a particular geographic area is exempt where

(1) the owners or occupants have no option but to receive the service; or

(2) the service is supplied because of a failure by an owner or occupant to comply with an obligation imposed under a law.

This section does not include a supply of a service of testing or inspecting any property for the purpose of verifying or certifying that the property meets particular standards of quality or is suitable for consumption, use or supply in a particular manner."

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 23 April 1996 or is paid after 23 April 1996 without having becoming due.

481. (1) The said Act is amended by inserting, after section 164, the following section:

"**164.1.** A supply made by a municipality or a board, commission or other body established by a municipality of any of the following services is exempt:

(1) a service of installing, replacing, repairing or removing street or road signs or barriers, street or traffic lights or property similar to any of the foregoing;

(2) a service of removing snow, ice or water;

(3) a service of removing, cutting, pruning, treating or planting vegetation;

(4) a service of repairing or maintaining roads, streets, sidewalks or similar or adjacent property; and

(5) a service of installing accesses or egresses."

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having becoming due.

482. (1) Sections 165 to 167 of the said Act are replaced by the following sections:

"**165.** A supply of a service, made by a municipality or by an organization that operates a water distribution, sewerage or drainage system and that is designated by the Minister to be a municipality for the purposes of this section, of installing, repairing, maintaining, or interrupting the operation of a water distribution, sewerage or drainage system, is exempt.

"**166.** The following supplies are exempt:

(1) a supply of unbottled water when made by a person other than a government or by a government designated by the Minister to be a municipality for the purposes of this section;

(2) a supply of the service of delivering water, when the service is supplied by the supplier of the water and that supply of water is described in subparagraph 1.

This section does not apply to a supply of unbottled water that is a zero-rated supply or a supply of water dispensed in single servings to consumers through a vending machine or at a permanent establishment of the supplier.

"**167.** A supply made to a member of the public of a municipal transit service or of a public passenger transportation service designated by the Minister to be a municipal transit service is exempt."

(2) The portion of subsection 1 that replaces section 165 of the said Act has effect in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having becoming due.

(3) The portion of subsection 1 that replaces sections 166 and 167 of the said Act has effect in respect of supplies for which all of the consideration becomes due after 23 April 1996 or is paid after 23 April 1996 without having becoming due.

483. (1) Section 168 of the said Act, amended by section 274 of chapter 1 of the statutes of 1995, is again amended

(1) by replacing paragraph 3 by the following paragraph:

"(3) an immovable where the supply is made by way of sale to an individual or a personal trust, other than a supply of an immovable on which is situated a structure that was used by the body as an office or in the course of commercial activities or of making exempt supplies;";

(2) by replacing paragraph 6 by the following paragraph:

"(6) an immovable, other than short-term accommodation, where the supply is made by way of lease, where the period throughout which continuous possession or use of the property is provided under the lease is less than one month, or a licence, where the supply is made in the course of a business carried on by the body;";

(3) by adding the following paragraph:

"(9) an immovable the last supply of which to the body was deemed to have been made under section 320."

(2) Paragraph 1 of subsection 1 has effect in respect of supplies made after 23 April 1996.

(3) Paragraph 2 of subsection 1 has effect in respect of any supply the agreement for which was entered into after 14 September 1992. However, paragraph 6 of section 168 of the said Act, replaced by paragraph 2 of subsection 1, shall be read as follows for the purpose of determining any amount granted by the Minister of Revenue before 24 April 1996 and of determining any amount claimed, in an application under Division I of Chapter VII of Title I of the said Act received by the Minister of Revenue before 23 April 1996, or as a deduction, in respect of any adjustment, refund or credit under section 447 of the said Act, in a return under Chapter VIII of Title I of the said Act received by the Minister of Revenue before 23 April 1996:

"(6) an immovable, other than short-term accommodation, where the supply is made by way of lease, where the term of the lease is less than one month, or a licence, where the supply is made in the course of a business carried on by the body;".

(4) Paragraph 3 of subsection 1 has effect in respect of any supply made by a public service body under an agreement entered into after 23 April 1996. In addition, paragraph 9 of section 168 of the said Act, enacted by paragraph 3 of subsection 1, also applies in respect of any supply the agreement for which was entered into before 24 April 1996 unless

(*a*) the body did not, on or before 23 April 1996, charge or collect any amount as or on account of tax under Title I in respect of the supply; or

(*b*) the body charged or collected an amount as or on account of tax under Title I in respect of the supply and, before 23 April 1996, the Minister of Revenue received an application under section 400 of the said Act for a rebate in respect of that amount or an application for a deduction in respect of an adjustment, refund or credit of the amount under section 447 of the said Act in a return filed under Chapter VIII of Title I, or granted an amount before 24 April 1996.

484. (1) Section 169.2 of the said Act is amended by replacing the second paragraph by the following paragraph:

"This section does not apply to a supply of electricity, gas, steam or telecommunication services made by a municipal body or a para-municipal organization, or a branch or division thereof, that acts as a public utility, or any supply made or received by the following persons otherwise than in the course of their designated activities:

(1) a designated body of the Government of Québec;

(2) a para-municipal organization designated as a municipality for the purposes of section 165 or 166 or sections 383 to 397; or

(3) another organization referred to in subparagraph 5 of the first paragraph."

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 23 April 1996 or is paid after 23 April 1996 without having become due.

485. (1) Section 173 of the said Act is amended

(1) by replacing the portion before the definition of "pharmacist" by the following:

"**173.** For the purposes of this division,

""medical practitioner" means a physician within the meaning of the Medical Act (chapter M-9) or a dentist within the meaning of the Dental Act (chapter D-3) and includes a person who is entitled under the laws of another province, the Northwest Territories or the Yukon Territory to practise the profession of medicine or dentistry;";

(2) by striking out the definition of "practitioner";

(3) by replacing the definition of "prescription" by the following definition:

""prescription" means a written or verbal order, given to a pharmacist by a medical practitioner, directing that a stated amount of any drug or mixture of drugs specified in the order be dispensed for the individual named in the order."

(2) Paragraphs 1 to 3 of subsection 1 have effect from 23 April 1996.

486. (1) Section 174 of the said Act is amended by replacing subparagraphs *a* and *b* of paragraph 2 by the following subparagraphs:

"(*a*) by a medical practitioner to an individual for the personal consumption or use of the individual or an individual related thereto; or

"(*b*) on the prescription of a medical practitioner for the personal consumption or use of the individual named in the prescription;".

(2) Subsection 1 has effect in respect of supplies made after 23 April 1996.

487. (1) The heading of Division II of Chapter IV of Title I of the said Act is replaced by the following heading:

"MEDICAL AND ASSISTIVE DEVICES".

(2) Subsection 1 has effect from 20 March 1997.

488. Section 175 of the said Act is replaced by the following section:

"**175.** For the purposes of this division, "medical practitioner" means a physician within the meaning of the Medical Act (chapter M-9) and includes a person who is entitled under the laws of another province, the Northwest Territories or the Yukon Territory to practise the profession of medicine."

489. (1) Section 176 of the said Act, amended by section 275 of chapter 1 of the statutes of 1995, is again amended

(1) by replacing paragraphs 1 to 3 by the following paragraphs:

"(1) a supply of a communication device, other than a device described in paragraph 6, that is specially designed for use by a person with a hearing, speech or vision impairment;

"(2) a supply of a heart-monitoring device when the device is supplied on the written order of a medical practitioner for use by a consumer with heart disease who is named in the order;

"(3) a supply of a hospital bed when the bed is supplied to the operator of a health care institution, within the meaning of section 108, or on the written order of a medical practitioner for use by an incapacitated person named in the order;";

(2) by replacing, in the French text, paragraph 4 by the following paragraph:

"4° la fourniture d'un appareil de respiration artificielle conçu spécialement pour l'usage d'une personne ayant des troubles respiratoires;";

(3) by replacing paragraph 4.1 by the following paragraph:

"(4.1) a supply of an aerosol chamber or a metered dose inhaler for use in the treatment of asthma when the chamber or inhaler is supplied on the written order of a medical practitioner for use by a consumer named in the order;";

(4) by inserting, after paragraph 4.1, the following paragraph:

"(4.2) a supply of a respiratory monitor, nebulizer, tracheostomy supply, gastro-intestinal tube, dialysis machine, infusion pump or intravenous apparatus, that can be used in the residence of a person;";

(5) by replacing paragraphs 6 to 8 by the following paragraphs:

"(6) a supply of a device that is designed to convert sound to light signals when the device is supplied on the written order of a medical practitioner for use by a consumer with a hearing impairment who is named in the order;

"(7) a supply of a selector control device that is specially designed to enable a person with a disability to energize, select or control household, industrial or office equipment;

"(8) a supply of ophthalmic lenses, with or without frames, when the lenses are supplied on the written order of an eye-care professional for the treatment or correction of a defect of vision of a consumer named in the order, where the eye-care professional is entitled under the laws of Québec, another province, the Northwest Territories or the Yukon Territory in which the professional practices to prescribe lenses for such purpose;";

(6) by inserting, after paragraph 10, the following paragraph:

"(10.1) a supply of an orthodontic appliance;";

(7) by replacing paragraph 13 by the following paragraph:

"(13) a supply of a chair, commode chair, walker, wheelchair lift or similar aid to locomotion, with or without wheels, including motive power and wheel assemblies therefor, that is specially designed for use by a person with a disability;";

(8) by replacing paragraphs 17 and 17.1 by the following paragraphs:

"(17) a supply of an auxiliary driving control that is designed for attachment to a motor vehicle to facilitate the operation of the vehicle by a person with a disability;

"(17.1) a supply of a service of modifying a motor vehicle to adapt the vehicle for the transportation of a person using a wheelchair and a supply of property, other than the vehicle, made in conjunction with, and because of, the supply of the service;";

(9) by replacing paragraphs 20.1 and 20.2 by the following paragraphs:

"(20.1) a supply of an extremity pump, intermittent pressure pump or similar device for use in the treatment of lymphedema when the pump or device is supplied on the written order of a medical practitioner for use by a consumer named in the order;

"(20.2) a supply of a catheter for subcutaneous injections when the catheter is supplied on the written order of a medical practitioner for use by a consumer named in the order;";

(10) by inserting, after paragraph 20.2, the following paragraph:

"(20.3) a supply of a lancet;";

(11) by replacing paragraph 22 by the following paragraph:

"(22) a supply of an orthotic or orthopaedic device that is made to order for a person or is supplied on the written order of a medical practitioner for use by a consumer named in the order;";

(12) by striking out paragraph 22.1;

(13) by replacing, in the French text, paragraph 23 by the following paragraph:

"23° la fourniture d'un appareil fabriqué sur commande pour une personne ayant une infirmité ou une difformité du pied ou de la cheville;";

(14) by inserting, after paragraph 23, the following paragraph:

"(23.1) a supply of footwear that is specially designed for use by a person who has a crippled or deformed foot or other similar disability, when the footwear is supplied on the written order of a medical practitioner;";

(15) by replacing paragraph 26 by the following paragraph:

"(26) a supply of a crutch or cane that is specially designed for use by a person with a disability;";

(16) by replacing paragraph 29 by the following paragraph:

"(29) a supply of any article that is specially designed for the use of blind persons when the article is supplied to or by the Canadian National Institute for the Blind or any other *bona fide* association or institution for blind persons for use by a blind person or on the order or certificate of a medical practitioner;";

(17) by replacing paragraph 32.1 by the following paragraph:

"(32.1) a supply of a dog that is or is to be trained to assist a person with a hearing impairment in respect of problems arising from the impairment, including a service of training the person to use such a dog, where the supply is made to or by an organization that is operated for the purpose of supplying such dogs to persons with hearing impairments;";

(18) by replacing paragraphs 33 to 35 by the following paragraphs:

"(33) a supply of a service, other than a service the supply of which is included in any provision of Division II of Chapter III except section 116 and a service related to the provision of a surgical or dental service that is performed for cosmetic purposes and not for medical or reconstructive purposes, of maintaining, installing, modifying, repairing or restoring a property described in any of paragraphs 1 to 31 and 37 to 39, or any part of such a property where the part is supplied in conjunction with the service;

"(34) a supply of a graduated compression stocking, an anti-embolic stocking or similar article when the stocking or article is supplied on the written order of a medical practitioner for use by a consumer named in the order;

"(35) a supply of clothing that is specially designed for use by a person with a disability when the clothing is supplied on the written order of a medical practitioner for use by a consumer named in the order;";

(19) by inserting, after paragraph 35, the following paragraphs:

"(36) a supply of an incontinence product that is specially designed for use by a person with a disability;

"(37) a supply of a feeding utensil or other gripping device that is specially designed for use by a person with impaired use of hands or other similar disability;

"(38) a supply of a reaching aid that is specially designed for use by a person with a disability;

"(39) a supply of a prone board that is specially designed for use by a person with a disability."

(2) Paragraph 1 of subsection 1 and the portion of paragraph 8 of subsection 1 that replaces paragraph 17.1 of section 176 of the said Act have effect in respect of supplies for which consideration becomes due after 23 April 1996 or is paid after 23 April 1996 without having become due.

(3) Paragraph 2 of subsection 1, the portion of paragraph 5 of subsection 1 that replaces paragraph 7 of section 176 of the said Act, paragraph 7 of subsection 1, the portion of paragraph 8 of subsection 1 that replaces paragraph 17 of section 176 of the said Act and paragraphs 13, 15 and 17 of subsection 1 have effect from 20 March 1997.

(4) Paragraphs 3 and 4 of subsection 1, the portion of paragraph 5 of subsection 1 that replaces paragraphs 6 and 8 of section 176 of the said Act and paragraphs 16, 18 and 19 of subsection 1 have effect in respect of supplies made after 23 April 1996.

(5) Paragraph 6 of subsection 1 has effect in respect of supplies for which all of the consideration becomes due after 23 April 1996 or is paid after that date without having become due.

(6) Paragraphs 9 and 10 of subsection 1 apply to supplies made after 23 April 1996 except that, in respect of supplies for which all of the consideration becomes due or is paid before 1 January 1997,

(*a*) paragraph 20.2 of section 176 of the said Act, replaced by paragraph 9 of subsection 1, shall be read as follows:

"(20.2) a supply of a catheter for subcutaneous injections or a lancet when the catheter or lancet is supplied on the written order of a medical practitioner for use by a consumer named in the order;" and

(*b*) paragraph 20.3 of section 176 of the said Act, enacted by paragraph 10 of subsection 1, does not apply.

(7) Paragraphs 11 and 12 of subsection 1 apply to supplies for which all of the consideration becomes due after 23 April 1996 or is paid after that date without having become due, except that, in respect of supplies for which consideration becomes due before 14 May 1996 or is paid before 14 May 1996 without having become due, paragraph 22 of section 176 of the said Act, enacted by paragraph 11 of subsection 1, shall be read as follows:

"(22) a supply of an orthotic or orthopaedic device when the device is supplied on the written order of a medical practitioner for use by a consumer named in the order, or a spinal or other orthopaedic brace;".

(8) Paragraph 14 of subsection 1 applies to supplies for which all of the consideration becomes due after 31 December 1996 or is paid after that date without having become due.

490. (1) Section 177 of the said Act, amended by section 334 of chapter 14 of the statutes of 1997, is again amended

(1) by striking out paragraph 2;

(2) by replacing paragraphs 11 and 12 by the following paragraphs:

"(11) ice lollies, juice bars, flavoured, coloured or sweetened ice waters, or similar products, whether frozen or not;

"(12) ice cream, frozen pudding, ice milk, sherbet or frozen yoghurt, non-dairy substitutes for any of the foregoing, or any product that contains any of the foregoing, when packaged or sold in single servings;";

(3) by replacing paragraph 16 by the following paragraph:

"(16) food or beverages heated for consumption;";

(4) by inserting, after paragraph 16, the following paragraphs:

"(16.1) salads not canned or vacuum sealed;

"(16.2) sandwiches and similar products other than when frozen;

"(16.3) platters of cheese, fruit, vegetables or cold cuts and other arrangements of prepared food;

"(16.4) beverages dispensed at the place where they are sold;

"(16.5) food or beverages sold under a contract for, or in conjunction with, catering services;".

(2) Paragraph 1 of subsection 1 has effect from 20 March 1997.

(3) Paragraphs 2 to 4 of subsection 1 apply to supplies for which all of the consideration becomes due after 13 May 1997 or is paid after that date without having become due.

491. (1) Section 178 of the said Act, amended by section 276 of chapter 1 of the statutes of 1995, is again amended

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

"(2) a supply of grains or seeds in their natural state, treated for seeding purposes or irradiated for storage purposes, hay or silage, or other fodder crops, that are ordinarily used as, or to produce, food for human consumption or feed for farm livestock or poultry, when supplied in a quantity that is larger than the quantity that is ordinarily sold or offered for sale to consumers, but not including grains or seeds or mixtures thereof that are packaged, prepared or sold for use as feed for wild birds or as pet food;";

(2) by replacing paragraph 5 by the following paragraph:

"(5) a supply of fertilizer, other than a product sold as soil or as a soil mixture, whether or not containing fertilizer, made at any time to a recipient when the fertilizer is supplied in bulk, or in a container that contains at least 25 kg of fertilizer, where the total quantity of fertilizer supplied at that time to the recipient is at least 500 kg;".

(2) Paragraph 1 of subsection 1 applies to supplies for which consideration becomes due after 23 April 1996 or is paid after that date without having become due.

(3) Paragraph 2 of subsection 1 applies to supplies made after 23 April 1996.

492. (1) Section 180 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) where the person carries on a business of transporting property or passengers to or from Québec or between places outside Québec by aircraft, railway or ship, in the course of so transporting property or passengers;".

(2) Subsection 1 has effect from 1 July 1992.

493. (1) Section 180.1 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) the person carries on a business of transporting property or passengers to or from Québec or between places outside Québec by aircraft, railway or ship; and".

(2) Subsection 1 has effect from 1 July 1992.

494. (1) Sections 182 to 184 of the said Act are replaced by the following sections:

"**182.** A supply of a service, other than a transportation service, in respect of corporeal movable property ordinarily situated outside Canada that is temporarily brought into Québec for the sole purpose of having the service performed and taken or shipped outside Canada as soon as is practicable after the service is performed, and of any corporeal movable property supplied in conjunction with the service, is a zero-rated supply.

"**183.** A supply made to a person not resident in Québec of a service of acting as a mandatary of the person or of arranging for, procuring or soliciting orders for supplies by or to the person is a zero-rated supply, to the extent that the service is in respect of

(1) a supply to the person that is provided for in this division; or

(2) a supply made outside Québec by or to the person.

"**184.** A supply made by a person to a recipient not resident in Québec of an emergency repair service, and of any corporeal movable property supplied in conjunction with the service, in respect of a conveyance or cargo container that is being used or transported by the person in the course of a business of transporting property or passengers, is a zero-rated supply."

(2) The portion of subsection 1 that replaces sections 182 and 184 of the said Act applies in respect of supplies made after 23 April 1996.

(3) The portion of subsection 1 that replaces section 183 of the said Act has effect from 1 July 1992.

495. (1) The said Act is amended by inserting, after section 184, the following sections:

"**184.1.** A supply made to a person not resident in Québec who is not registered under Division I of Chapter VIII of an emergency repair service, and of any corporeal movable property supplied in conjunction with the service, in respect of railway rolling stock that is being used in the course of a business of transporting passengers or property, is a zero-rated supply.

"**184.2.** A supply made to a person not resident in Québec who is not registered under Division I of Chapter VIII of an emergency repair service in respect of, or a service of storing, an empty cargo container, other than a container less than 6.1 metres in length or having an internal capacity less than 14 cubic metres, and any corporeal movable property supplied in conjunction with the repair service is a zero-rated supply, to the extent that the cargo container

(1) is used in transporting property to or from Canada and is classified under heading No. 98.01 or subheading No. 9823.90 of Schedule I to the Customs Tariff (Revised Statutes of Canada, 1985, chapter 41, 3rd Supplement); or

(2) is used in transporting property to or from Québec and would be classified under heading No. 98.01 or subheading No. 9823.90 of Schedule I to the Customs Tariff if the cargo container were from outside Québec."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996.

496. (1) Section 185 of the said Act is amended

(1) by replacing the portion before paragraph 2 by the following:

"**185.** A supply of a service made to a person not resident in Québec is a zero-rated supply, except a supply of

(1) a service made to an individual who is in Québec at any time when the individual has contact with the supplier in relation to the supply;

(1.1) a service that is rendered to an individual while that individual is in Québec;";

(2) by replacing paragraph 6 by the following paragraph:

"(6) a service of acting as a mandatary of the person not resident in Québec or of arranging for, procuring or soliciting orders for supplies by or to the person;";

(3) by adding, after paragraph 7, the following paragraph:

"(8) a telecommunication service."

(2) Paragraph 1 of subsection 1 applies in respect of supplies for which all of the consideration becomes due after 30 June 1996 or is paid after that date without having become due.

(3) Paragraph 2 of subsection 1 applies in respect of supplies made after 23 April 1996.

(4) Paragraph 3 of subsection 1 applies in respect of supplies made after 15 December 1996.

497. (1) Section 190 of the said Act, replaced by section 348 of chapter 63 of the statutes of 1995, is again replaced by the following section:

"**190.** A supply of corporeal movable property is a zero-rated supply where the supplier delivers the property to a public carrier, or mails the property, for shipment outside Québec."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996.

498. (1) Section 191.4 of the said Act is replaced by the following section:

"**191.4.** A supply made to a person not resident in Québec of a custodial or nominee service in respect of securities or precious metals of the person is a zero-rated supply."

(2) Subsection 1 applies in respect of supplies made after 31 December 1996.

499. (1) Section 191.9 of the said Act is replaced by the following section:

"**191.9.** A supply of a postal service is a zero-rated supply where the supply is made, by a registrant who carries on the business of supplying postal services, to a person not resident in Québec who is not a registrant and who carries on such a business."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996.

500. (1) The said Act is amended by inserting, after section 191.9, the following section:

"**191.9.1.** A supply of a telecommunication service where the supply is made, by a registrant who carries on the business of supplying

telecommunication services, to a person not resident in Québec who is not a registrant and who carries on such a business, but not including a supply of a telecommunication service where the telecommunication is emitted and received in Québec, is a zero-rated supply."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996. It also applies in respect of supplies made before 24 April 1996 unless

(*a*) the supplier did not, before 24 April 1996, charge or collect any amount as or on account of tax under Title I of the said Act in respect of the supply; or

(*b*) the supplier charged or collected an amount as or on account of tax under Title I of the said Act in respect of the supply and, before 23 April 1996, the Minister of Revenue received an application under section 401 for a rebate in respect of that amount or a return under Chapter VIII of Title I of the said Act in which the supplier claimed a deduction in respect of an adjustment, refund or credit of the amount under section 447 of the said Act.

501. (1) Section 191.10 of the said Act is amended by replacing paragraph 4 by the following paragraph:

"(4) a service of acting as a mandatary of the person or of arranging for, procuring or soliciting orders for supplies by or to the person."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996.

502. (1) Section 193 of the said Act is amended by striking out the definition of "flight outside Québec".

(2) Subsection 1 has effect from 24 April 1996.

503. (1) Section 194 of the said Act is amended

(1) by striking out subparagraph *b* of paragraph 1;

(2) by striking out paragraph 3.

(2) Paragraph 1 of subsection 1 applies in respect of any supply of a transportation service made after 31 March 1997.

(3) Paragraph 2 of subsection 1 applies to supplies made after 23 April 1996.

504. (1) Section 196 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) the particular carrier is deemed to have made a supply of a freight transportation service, having the same destination as the continuous freight movement, to the shipper or consignee, as the case may be, for consideration equal to the particular amount, whether or not the particular amount includes

an amount paid to the particular carrier as mandatary of any of the other several carriers;".

(2) Subsection 1 has effect from 1 April 1997.

505. (1) Section 197 of the said Act, amended by section 349 of chapter 63 of the statutes of 1995, is again amended

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

"(1) a supply of a freight transportation service in respect of the transportation of corporeal movable property from a place in Québec to a place outside Canada where the value of the consideration for the supply is $5 or more, without reference to tax paid or payable under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15);";

(2) by striking out paragraphs 5 and 5.1.

(2) Subsection 1 applies in respect of supplies made after 31 March 1997.

506. (1) The said Act is amended by inserting, after section 197, the following section:

"**197.1.** A supply of an air ambulance service made by a person who carries on the business of supplying air ambulance services, where the transportation is to or from a place outside Québec, is a zero-rated supply."

(2) Subsection 1 has effect from 1 July 1992.

507. (1) Section 199 of the said Act is amended

(1) in the first paragraph, by replacing the portion before the formula by the following:

"**199.** Where property or a service is supplied to or brought into Québec by a person and, during a reporting period of the person during which the person is a registrant, tax in respect of the supply or bringing into Québec of the property or service becomes payable by the person or is paid by the person without having become payable, the amount determined by the following formula is an input tax refund of the person in respect of the property or service for the period:";

(2) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the tax in respect of the supply or bringing into Québec of the property or service that becomes payable by the person during the reporting period or that is paid by the person during the period without having become payable; and".

(2) Subsection 1 has effect from 1 April 1997.

508. (1) Section 199.1 of the said Act is amended

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

"(1) notwithstanding section 34, that part of the property or service that is acquired or brought into Québec for use in improving the capital property and the remaining part of the property or service are each deemed to be a separate property or service that does not form part of the other;";

(2) in paragraph 2, by replacing the portion before the formula by the following:

"(2) the tax payable in respect of the supply or bringing into Québec of that part of the property or service that is acquired or brought into Québec for use in improving the capital property is deemed to be equal to the amount determined by the formula".

(2) Subsection 1 has effect from 1 April 1997.

509. (1) Sections 199.2 and 199.3 of the said Act are repealed.

(2) Subsection 1 has effect from 1 April 1997.

510. (1) Section 201 of the said Act is amended by replacing paragraph 2 by the following paragraph:

"(2) where the input tax refund is in respect of property or a service supplied to the registrant in circumstances in which the registrant is required to report the tax payable in respect of the supply in a return filed with the Minister under this Title, the registrant has so reported the tax in a return filed under this Title."

(2) Subsection 1 has effect from 1 January 1997. However, for the period that begins on 1 January 1997 and ends on 31 March 1997, paragraph 2 of section 201 of the said Act, replaced by subsection 1, shall be read as follows:

"(2) where the input tax refund is in respect of an immovable supplied by way of sale to the registrant in circumstances in which section 423 applies, the registrant has reported the tax in respect of the supply in a return filed under this Title."

511. (1) Section 203 of the said Act, amended by section 135 of chapter 3 of the statutes of 1997, is again amended

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

"(1.1) a supply or bringing into Québec of property or a service that is acquired or brought into Québec by the registrant for consumption or use by the registrant, or, where the registrant is a partnership, an individual who is a member of the partnership, in relation to any part (in this section and in section 457.2 referred to as the "work space") of a self-contained domestic establishment in which the registrant or the individual, as the case may be, resides unless the work space

(*a*) is the principal place of business of the registrant, or

(*b*) is used exclusively for the purpose of earning income from a business and is used on a regular and continuous basis for meeting clients, customers or patients of the registrant in respect of the business;";

(2) by replacing, in the French text, subparagraph *b* of paragraph 3 by the following subparagraph:

"*b*) si l'inscrit est une société de personnes, un particulier qui est un associé de celle-ci ou un autre particulier qui est un salarié, un cadre ou un actionnaire d'un associé de la société de personnes ou qui est lié à un associé de la société de personnes;".

(2) Paragraph 1 of subsection 1 applies in respect of the tax payable in relation to a supply or bringing into Québec of property or a service, where the tax becomes payable in a fiscal period, within the meaning of the Taxation Act (R.S.Q., chapter I-3), of the registrant that begins after 9 May 1996.

512. (1) Section 205 of the said Act is repealed.

(2) Subsection 1 has effect in respect of any supply or bringing into Québec after 9 May 1996.

513. (1) Section 207 of the said Act is amended

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

"(1) the person is deemed to have received, at that time, a supply by way of sale of each property of the person that was held immediately before that time for consumption, use or supply in the course of commercial activities of the person; and";

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

"(2) the person is deemed to have paid, at that time, tax in respect of the supply equal to the basic tax content of the property at that time.";

(3) by striking out the second paragraph.

(2) Paragraph 1 of subsection 1 has effect from 1 August 1995.

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997.

514. (1) Section 208 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) there may be included the total of any tax that became payable by the person before that time, to the extent that the tax was payable in respect of a service to be supplied to the person after that time for consumption, use or supply in the course of commercial activities of the person or was calculated on the value of consideration that is a rent, royalty or similar payment attributable to a period after that time in respect of property that is used in the course of commercial activities of the person; and".

(2) Subsection 1 has effect from 1 August 1995.

515. (1) Section 210 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) in determining the input tax refund of the person for the last reporting period of the person beginning before that time, there may be included the total of any tax that becomes payable by the person after that time, to the extent that the tax is payable in respect of a service that was supplied to the person before that time for consumption, use or supply in the course of commercial activities of the person or is calculated on the value of consideration that is a rent, royalty or similar payment attributable to a period before that time in respect of property that is used in the course of commercial activities of the person; and".

(2) Subsection 1 has effect from 1 August 1995.

516. (1) Section 210.3 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) for the purpose of determining an input tax refund of the person, the person is deemed to have received, at that time, a supply by way of sale of each property of the person, other than capital property, that was held immediately before that time for consumption, use or supply in the course of those other activities and to have paid, at that time, tax in respect of the supply equal to the basic tax content of the property at that time; and".

(2) Subsection 1 has effect from 1 August 1995. However, where paragraph 1 of section 210.3 of the said Act, replaced by subsection 1, applies for the period from 1 August 1995 to 30 March 1997, it shall be read as follows:

"(1) for the purpose of determining an input tax refund of the person, the person is deemed to have received, at that time, a supply by way of sale of

each property of the person, other than capital property, that was held immediately before that time for consumption, use or supply in the course of those other activities and to have paid, at that time, tax in respect of the supply equal to the lesser of

(*a*) the tax that, before that time, became payable or was paid by the person in respect of the last acquisition or bringing into Québec of the property by the person, and

(*b*) tax calculated on the fair market value of the property at that time; and".

517. (1) Section 211 of the said Act, amended by section 280 of chapter 1 of the statutes of 1995, by section 358 of chapter 63 of the statutes of 1995 and by section 135 of chapter 3 of the statutes of 1997, is again amended

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

"**211.** A person is deemed to have received a supply of property or a service where

(1) the person pays an allowance to an employee of the person, or, where the person is a partnership, to a member of the partnership, or, where the person is a charity or a public institution, to a volunteer who gives services to the charity or public institution

(*a*) for supplies all or substantially all of which are taxable supplies, other than zero-rated supplies, of property or services acquired in Québec by the employee, member or volunteer in relation to activities engaged in by the person, or";

(2) by replacing subparagraph 3 of the first paragraph by the following subparagraph:

"(3) in the case of an allowance in respect of which paragraph *e* of section 39 or section 40 of the Taxation Act would apply if the allowance were a reasonable allowance for the purposes of that paragraph or that section and, where the person is a partnership and the allowance is paid to a member of the partnership, or, where the person is a charity or a public institution and the allowance is paid to a volunteer, if the member or volunteer were an employee of a partnership, charity or institution, the person considered, at the time the allowance was paid, that the allowance would be a reasonable allowance for the purposes of paragraph *e* of section 39 or section 40 of that Act and it is reasonable for the person to have so considered, at that time, the allowance to be a reasonable allowance for those purposes.";

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

"In addition, any consumption or use of the property or service by the employee, member or volunteer is deemed to be consumption or use by the person and not by the employee, member or volunteer, and the person is deemed to have paid, at the time the allowance was paid, tax in respect of the supply equal to the amount determined by multiplying the amount of the allowance by 7.5/107.5."

(2) The portion of paragraph 1 of subsection 1 that replaces the portion of subparagraph *a* of the first paragraph of section 211 of the said Act has effect from 1 July 1992. However, for the period from 1 July 1992 to 31 December 1996, the portion of subparagraph 1 of the first paragraph of section 211 of the said Act replaced by paragraph 1 of subsection 1, shall be read as follows:

"(1) the person pays an allowance to an employee of the person, or, where the person is a partnership, to a member of the partnership, or, where the person is a charity, to a volunteer who gives services to the charity".

(3) Paragraph 2 of subsection 1 has effect from 1 January 1997.

(4) Paragraph 3 of subsection 1 has effect from 1 July 1992. However,

(1) in respect of any allowance paid after 31 March 1997 and before 1 January 1998, the second paragraph of section 211 of the said Act, replaced by paragraph 3 of subsection 1, shall be read as follows:

"In addition, any consumption or use of the property or service by the employee, member or volunteer is deemed to be consumption or use by the person and not by the employee, member or volunteer, and the person is deemed to have paid, at the time the allowance was paid, tax in respect of the supply equal to the amount determined by multiplying the amount of the allowance by 6.5/106.5.";

(2) for the period that begins on 13 May 1994 and ends on 31 March 1997, that paragraph shall be read as follows:

"In addition, any consumption or use of the property or service by the employee, member or volunteer is deemed to be consumption or use by the person and not by the employee, member or volunteer, and the person is deemed to have paid, at the time the allowance was paid, tax in respect of the supply equal to the tax fraction of the allowance."; and

(3) for the period that begins on 1 July 1992 and ends on 12 May 1994, that paragraph shall be read as follows:

"In addition, any consumption or use of the property or service by the employee, member or volunteer is deemed to be consumption or use by the person and not by the employee, member or volunteer, and the person is deemed to have paid, at the time the allowance was paid, tax in respect of the supply equal to the tax fraction of the allowance as determined in accordance with section 211.1."

(5) Notwithstanding subsections 2 and 4, the portion of paragraph 1 of subsection 1 that replaces the portion before subparagraph 1 of the first paragraph of section 211 of the said Act, and paragraph 3 of subsection 1, do not apply for the purpose of determining any amount claimed in a return under Chapter VIII, or in an application under Chapter VII, of Title I of the said Act that is received by the Minister of Revenue before 23 April 1996, or of determining any amount granted by the Minister of Revenue before 24 April 1996.

518. (1) Section 212 of the said Act, replaced by section 282 of chapter 1 of the statutes of 1995 and amended by section 135 of chapter 3 of the statutes of 1997, is again replaced by the following section:

"**212.** Where an employee of an employer, a member of a partnership or a volunteer who gives services to a charity or public institution acquires or brings into Québec property or a service for consumption or use in activities of the employer, partnership, charity or public institution (each of which is referred to in this section as the "person"), the employee, member or volunteer paid the tax payable in respect of that acquisition or bringing into Québec and the person pays an amount to the employee, member or volunteer as a reimbursement in respect of the property or service,

(1) the person is deemed to have received a supply of the property or service;

(2) any consumption or use of the property or service by the employee, member or volunteer in activities of the person is deemed to be consumption or use by the person and not by the employee, member or volunteer; and

(3) the person is deemed to have paid, at the time the reimbursement is paid, tax in respect of the supply equal to the amount determined by the formula

$$A \times B.$$

For the purposes of this formula,

(1) A is the tax paid by the employee, member or volunteer in respect of the acquisition or bringing into Québec of the property or service; and

(2) B is the lesser of

(*a*) the percentage of the cost of the property or service, for the employee, member or volunteer, that is reimbursed to the employee, member or volunteer, and

(*b*) the extent, expressed as a percentage, to which the property or service was acquired or brought into Québec by the employee, member or volunteer for consumption or use in activities of the person."

(2) Subsection 1 has effect from 1 July 1992. However,

(1) it does not apply for the purpose of determining any amount claimed in a return under Chapter VIII, or in an application under Chapter VII, of Title I of the said Act that is received by the Minister of Revenue before 23 April 1996, or of determining any amount granted by the Minister of Revenue before 24 April 1996; and

(2) for the period that begins on 1 July 1992 and ends on 31 December 1996, the portion of the first paragraph of section 212 before subparagraph 1, replaced by subsection 1, shall be read as follows:

"**212.** Where an employee of an employer, a member of a partnership or a volunteer who gives services to a charity acquires or brings into Québec property or a service for consumption or use in activities of the employer, partnership or charity (each of which is referred to in this section as the "person"), the employee, member or volunteer paid the tax payable in respect of that acquisition or bringing into Québec and the person pays an amount to the employee, member or volunteer as a reimbursement in respect of the property or service,".

519. (1) The said Act is amended by inserting, after section 212, the following sections:

"**212.1.** Section 212 does not apply to a reimbursement in respect of property or a service acquired or brought into Québec by a member of a partnership where paragraph 2 of section 345.2 applies to the acquisition or bringing into Québec and the reimbursement is paid to the member after the member files with the Minister a return of the member under section 468 in which an input tax refund in respect of the property or service is claimed.

"**212.2.** Where the beneficiary of a warranty (other than an insurance policy) in respect of the quality, fitness or performance of corporeal property acquires or brings into Québec property or a service in respect of which tax is payable by the beneficiary and a registrant pays to the beneficiary, under the terms of the warranty, an amount as a reimbursement in respect of the property or service and therewith provides written indication that a portion of the amount is on account of tax, the following rules apply:

(1) the registrant may claim an input tax refund, for the reporting period of the registrant in which the reimbursement is paid, equal to the amount (in this section referred to as the "tax reimbursed") determined by the formula

$$A \times \frac{B}{C}; \text{ and}$$

(2) where the beneficiary is a registrant who was entitled to claim an input tax refund, or a rebate under Division I of Chapter VII, in respect of the property or service, the beneficiary is deemed to have made a taxable supply

and to have collected, at the time the reimbursement is paid, tax in respect of the supply equal to the amount determined by the formula

$$D \times \frac{E}{F}.$$

For the purposes of these formulas,

(1) A is the tax payable by the beneficiary;

(2) B is the amount of the reimbursement;

(3) C is the cost to the beneficiary of the property or service;

(4) D is the tax reimbursed;

(5) E is the total of the input tax refunds and rebates under Division I of Chapter VII that the beneficiary was entitled to claim in respect of the property or service; and

(6) F is the tax payable by the beneficiary in respect of the supply or bringing into Québec of the property or service."

(2) Subsection 1 has effect from 1 July 1992. However,

(*a*) it does not apply for the purpose of determining any amount claimed in a return under Chapter VIII, or in an application under Chapter VII, of Title I of the said Act that is received by the Minister of Revenue before 23 April 1996;

(*b*) for the period that begins on 1 July 1992 and ends on 23 April 1996, section 212.1 of the said Act, enacted by subsection 1, shall be read as follows:

"**212.1.** Section 212 does not apply to a reimbursement in respect of property or a service acquired or brought into Québec by a member of a partnership where section 282 applies to the acquisition or bringing into Québec and the reimbursement is paid to the member after the member files with the Minister a return of the member under section 468 in which an input tax refund in respect of the property or service is claimed."; and

(3) section 212.2 of the said Act, enacted by subsection 1, applies only to amounts reimbursed after 23 April 1996.

520. (1) The said Act is amended by replacing the heading of subdivision 3 of Division II of Chapter V of Title I by the following heading:

"§3. — *Used returnable container*".

(2) Subsection 1 has effect from 24 April 1996.

521. (1) Section 213 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**213.** A registrant is deemed, except where section 75.1 or 80 applies in respect of the supply, to have paid, at the time any amount is paid as consideration for the supply, tax in respect of the supply equal to the amount determined by multiplying that amount by 7.5/107.5, where

(1) the registrant is the recipient of a supply made in Québec by way of sale of used corporeal movable property that is a usual covering or container of a class of coverings or containers in which property, other than property the supply of which is a zero-rated supply, is delivered;

(2) tax is not payable by the registrant in respect of the supply;

(3) the property is acquired for the purpose of consumption, use or supply in the course of commercial activities of the registrant; and

(4) except where the property is a returnable container within the meaning of section 350.24 of a particular class that is not supplied by the registrant when filled and sealed, the registrant pays to the supplier consideration for the supply that is not less than the total of

(*a*) the consideration charged by the registrant for supplies by the registrant of used coverings or containers of that class, and

(*b*) tax calculated on that consideration."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996 other than

(*a*) any supply made to a registrant by a person before 1 July 1996 of used corporeal movable property that was not accepted by the registrant in full or partial consideration for a supply by the registrant to the person of other corporeal movable property; and

(*b*) any supply by a person to a registrant of particular used corporeal movable property that, under an agreement in writing entered into before 1 July 1996, the registrant accepted in full or partial consideration for a supply by the registrant to the person of other corporeal movable property in respect of which the registrant charged or collected tax calculated without reference to the amount credited by the registrant to the person in respect of the particular property.

(3) Notwithstanding subsection 2, the portion of the first paragraph of section 213 of the said Act before subparagraph 1, replaced by subsection 1,

(1) for the period that ends on 31 March 1997, shall be read as follows:

"**213.** A registrant is deemed, except where section 75.1 or 80 applies in respect of the supply, to have paid, at the time any amount is paid as consideration for the supply, tax in respect of the supply equal to the tax fraction of that amount, where";

(2) for the period that begins on 1 April 1997 and ends on 31 December 1997, shall be read as follows:

"**213.** A registrant is deemed, except where section 75.1 or 80 applies in respect of the supply, to have paid, at the time any amount is paid as consideration for the supply, tax in respect of the supply equal to the amount determined by multiplying that amount by 6.5/106.5, where".

522. (1) Sections 214 to 219 of the said Act are repealed.

(2) Subsection 1, where it repeals sections 214 to 217.1, applies in respect of supplies made after 23 April 1996.

(3) Subsection 1, where it repeals sections 218 and 219, has effect from 24 April 1996.

523. (1) Section 220 of the said Act is amended, in the first paragraph, by replacing subparagraph *b* of subparagraph 3 by the following subparagraph:

"(*b*) a personal trust that acquires the immovable at that time to hold or use exclusively as a place of residence of an individual who is a beneficiary of the trust."

(2) Subsection 1 has effect from 24 April 1996.

524. (1) Section 224.2 of the said Act, enacted by section 339 of chapter 14 of the statutes of 1997, is amended by replacing the second paragraph by the following paragraph:

"However, if no supply of the residential complex by way of sale is made by the builder within 12 months following the supply deemed to have been made under section 223 or 224, the presumption established in the first paragraph does not apply and the builder shall include, in determining the net tax of the builder for a reporting period of the builder that is not later than the reporting period of the builder that includes the day after the 12-month period following the supply deemed to have been made under section 223 or 224, the tax deemed to have been collected by the builder in respect of the residential complex."

(2) Subsection 1 applies in respect of

(*a*) a supply of a residential complex deemed to have been made under section 223 or 224 after 9 May 1996;

(*b*) a supply of a residential complex deemed to have been made under section 223 or 224 during the period that begins on 9 May 1995 and ends on 9 May 1996 if an election under section 224.1 is filed in prescribed form containing prescribed information not later than 1 September 1996, except where a supply of the residential complex is made by way of sale on or before 9 May 1996.

525. (1) The said Act is amended by inserting, after section 228, the following section:

"**228.1.** Sections 223 to 226 do not apply to a builder of a residential complex or an addition to a residential complex where

(1) the builder is a group of individuals in respect of which sections 851.23 to 851.33 of the Taxation Act (chapter I-3) apply; and

(2) the construction or substantial renovation of the complex or addition is carried out exclusively for the purpose of providing a place of residence for members of the group."

(2) Subsection 1 has effect from 1 July 1992.

526. (1) Section 229 of the said Act is amended

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

"(2) the construction or substantial renovation of the complex or addition is carried out, or the complex is acquired, for the purpose of providing a place of residence or lodging for an individual at a location at which, because of its remoteness from any established community, the individual could not reasonably be expected to establish and maintain a self-contained domestic establishment and at which the individual is required to be

(*a*) in the performance of the individual's duties as an employee of the registrant,

(*b*) to render services to the registrant at that location as a contractor, or an employee of the contractor, engaged by the registrant, or

(*c*) to render services at that location as a subcontractor, or an employee of the subcontractor, engaged by the contractor referred to in subparagraph *b* to render services that are acquired by the contractor for the purpose of supplying services to the registrant; and";

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

"The presumptions under the first paragraph apply until the residential complex is supplied by way of sale, or is supplied by way of lease, licence or similar arrangement primarily to persons who are not employees, contractors or subcontractors referred to in subparagraphs *a*, *b* and *c* of subparagraph 2 of the first paragraph who are acquiring the complex or residential units therein in the circumstances described in those subparagraphs or individuals who are related to such employees, contractors or subcontractors."

(2) Subsection 1 has effect from 1 July 1992.

527. (1) The said Act is amended by inserting, after section 231.1, the following sections:

"**231.2.** For the purposes of section 231.3,

"government funding", in respect of a residential complex, means

(1) an amount of money, including a forgivable loan but not including any other loan or a refund or rebate of, or credit in respect of, fees, duties or taxes imposed under any Act, paid or payable by either of the following persons to a builder of the residential complex or of an addition thereto for the purpose of making residential units in the complex available to persons referred to in the second paragraph of section 231.3:

(*a*) a grantor, or

(*b*) an organization that received the amount from a grantor or another organization that received the amount from a grantor;

"grantor" means

(1) a government or municipality, other than a corporation all or substantially all of whose activities are commercial activities or the supply of financial services or any combination thereof;

(2) a band within the meaning of section 2 of the Indian Act (Revised Statutes of Canada, 1985, chapter I-5);

(3) a corporation that is controlled by a government, a municipality or a band referred to in paragraph 2 and one of the main purposes of which is to fund charitable or non-profit activities; and

(4) a trust, board, commission or other body that is established by a government, municipality, band referred to in paragraph 2 or corporation described in paragraph 3 and one of the main purposes of which is to fund charitable or non-profit activities.

"**231.3.** Where a builder of a residential complex or an addition thereto is deemed under any of sections 223 to 226 to have, at a particular time, made and received a supply of the complex or addition and, except where the builder is a government or a municipality, the builder, at or before the particular time, has received or can reasonably expect to receive government funding in respect of the complex, the amount of tax in respect of the supply, calculated on the fair market value of the complex or addition, is deemed for the purposes of sections 223 to 226 to be equal to the greater of

(1) the amount that would, but for this section, be the tax calculated on that fair market value; and

(2) the total of all amounts each of which is tax that was payable by the builder in respect of an immovable that forms part of the complex or addition, or an improvement to the immovable.

The first paragraph applies only where at least 10% of the residential units in the complex are intended to be supplied to

(*a*) seniors;

(*b*) youths;

(*c*) students;

(*d*) persons with a disability;

(*e*) persons in distress or persons in need of assistance;

(*f*) individuals whose means or income is the basis of their eligibility for occupancy of the units or for reduced lease payments;

(*g*) individuals for whose benefit no other persons other than public sector bodies pay consideration for the supplies of the units and who either pay no consideration for the supplies or pay consideration that is significantly less than the consideration that could reasonably be expected to be paid for comparable supplies made by a person in the business of making such supplies for the purpose of earning a profit; or

(*h*) any combination of persons described in any of subparagraphs *a* to *g*."

(2) Subsection 1 has effect from 24 April 1996. However, sections 231.2 and 231.3 of the said Act, enacted by subsection 1, do not apply in respect of a residential complex or an addition thereto where

(*a*) the builder of the complex or addition

i. received government funding in respect of the complex from a grantor before 24 April 1996, or

ii. because of a letter of intent, memorandum of understanding or other document received from a grantor before 24 April 1996, has a reasonable expectation of receiving government funding in respect of the complex from the grantor; and

(*b*) the construction or substantial renovation of the complex or addition began before 24 April 1996 and is substantially completed before 24 April 1998.

528. (1) Section 233 of the said Act is amended

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

"A × B";

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

"(*a*) the basic tax content of the immovable at the particular time, and";

(3) by striking out subparagraph 3 of the second paragraph.

(2) Subsection 1 applies in respect of supplies made after 31 March 1997.

529. (1) Section 234 of the said Act is replaced by the following section:

"**234.** Except where section 233 applies, where at a particular time a registrant that is a public sector body, other than a financial institution, makes a taxable supply of an immovable by way of sale, other than a supply that is deemed under section 243 or 259 to have been made, and, immediately before the time tax becomes payable in respect of the taxable supply, the immovable was not used by the registrant primarily in commercial activities of the registrant, the registrant may, notwithstanding sections 203 to 206 and subdivision 5, claim an input tax refund for the reporting period in which tax in respect of the taxable supply became payable or is deemed to have been collected, as the case may be, equal to the lesser of

(1) the basic tax content of the immovable at the particular time; and

(2) an amount equal to the tax that is or would, but for sections 75.1 and 80, be payable in respect of the taxable supply of the immovable."

(2) Subsection 1 applies in respect of supplies made after 31 March 1997.

530. (1) The said Act is amended by inserting, after section 234, the following section:

"**234.1.** Where, for the purpose of satisfying in whole or in part a debt or obligation owing by a person (in this section referred to as the "debtor"), a

creditor exercises a right under an Act of the Legislature of Québec, another province, the Northwest Territories, the Yukon Territory, or of the Parliament of Canada or an agreement relating to a debt security to cause the supply of an immovable and, under the Act or the agreement, the debtor has a right to redeem the immovable, the following rules apply:

(1) the debtor is not entitled to claim an input tax refund under section 233 or 234 in respect of the immovable unless the time limit for redeeming the immovable has expired and the debtor has not exercised the debtor's right of redemption; and

(2) where the debtor is entitled to claim the input tax refund, that input tax refund is for the reporting period in which the time limit for redeeming the immovable expires."

(2) Subsection 1 has effect from 24 April 1996.

531. (1) Section 235 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) the tax payable in respect of the supply is deemed to be equal to the amount determined by multiplying the consideration for the supply by 7.5/107.5; and".

(2) Subsection 1 has effect in respect of supplies of an immovable the ownership and possession of which are transferred to the recipient of the supply after 31 March 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, paragraph 1 of section 235 of the said Act, replaced by subsection 1, shall be read with "7.5/107.5" replaced by "6.5/106.5".

532. (1) The said Act is amended by inserting, after section 238, the following section:

"**238.0.1.** Where a person brings into Québec property that is capital property of the person and the person was using the property to a particular extent in a particular way immediately after the property or a portion thereof was last acquired or imported into Canada by the person, the person is deemed to bring the property into Québec for use to the particular extent in the particular way."

(2) Subsection 1 has effect from 1 April 1997.

533. (1) Section 238.1 of the said Act is amended

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

"(*b*) in any other case, the basic tax content of the property at the particular time.";

(2) by striking out the second paragraph.

(2) Subsection 1 has effect from 1 April 1997.

534. (1) Sections 239.1 and 239.2 of the said Act are repealed.

(2) Subsection 1 has effect from 1 April 1997.

535. (1) Section 240 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) the tax payable by the registrant in respect of the acquisition or the bringing into Québec by the registrant of the property shall not be included in determining an input tax refund of the registrant for any reporting period unless the property was acquired or brought into Québec for use primarily in commercial activities of the registrant; and".

(2) Subsection 1 has effect from 1 April 1997.

536. (1) Section 242 of the said Act is amended

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

"(2) except where the supply is an exempt supply, to have paid, at that time, tax in respect of the supply equal to the basic tax content of the property at that time.";

(2) by striking out the second paragraph.

(2) Subsection 1 has effect from 1 April 1997.

537. (1) Section 243 of the said Act, amended by section 368 of chapter 63 of the statutes of 1995, is again amended by replacing subparagraphs 1 and 2 of the first paragraph by the following subparagraphs:

"(1) the registrant is deemed, immediately before that time, to have made a supply of the property by way of sale and to have collected, at that time, tax in respect of the supply equal to the basic tax content of the property at that time; and

"(2) the registrant is deemed to have received, at that time, a supply of the property by way of sale and to have paid, at that time, tax in respect of the supply equal to the basic tax content of the property at that time."

(2) Subsection 1 has effect from 1 April 1997.

538. (1) Section 245 of the said Act, amended by section 135 of chapter 3 of the statutes of 1997, is replaced by the following section:

"**245.** For the purposes of sections 240 and 242 to 244, where an individual who is a registrant uses a musical instrument as capital property of the individual in an employment of the individual or in a business carried on by a partnership of which the individual is a member, that use is deemed to be use in commercial activities of the individual."

(2) Subsection 1 has effect from 1 April 1997.

539. (1) Section 247 of the said Act is amended

(1) by replacing the portion of the first paragraph before subparagraph 2 by the following:

"**247.** For the purpose of determining an input tax refund of a registrant in respect of a passenger vehicle that the registrant at a particular time acquired or brought into Québec for use as capital property in commercial activities of the registrant, the tax payable by the registrant in respect of the acquisition or bringing into Québec of the vehicle is deemed to be the lesser of

(1) an amount equal to the tax payable by the registrant in respect of the acquisition or bringing into Québec of the vehicle; and";

(2) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the tax that would be payable by the registrant in respect of the vehicle if the registrant acquired the vehicle at the particular time for consideration equal to the amount deemed under paragraph *d*.3 or *d*.4 of section 99 of the Taxation Act (chapter I-3) to be, for the purposes of that section, the capital cost to a taxpayer of a passenger vehicle to which that paragraph applies; and";

(3) by replacing subparagraph *a* of subparagraph 2 of the second paragraph by the following subparagraph:

"(*a*) where the registrant is deemed under section 242, 256 or 257 to have acquired the vehicle or a portion thereof at the particular time and the registrant was previously entitled to claim a rebate under sections 383 to 397 in respect of the vehicle or any improvement to it, the difference between 100% and the percentage prescribed in section 386 that applied in determining the amount of the rebate, and".

(2) Subsection 1 has effect from 1 April 1997. However, where subparagraph *a* of subparagraph 2 of the second paragraph of section 247 of the said Act, replaced by paragraph 3 of subsection 1, has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996 or, where the property or service is delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, property or a service invoiced for a regular period beginning after 31 December 1996, it shall be read as follows:

"(*a*) where the registrant is deemed under section 242, 256 or 257 to have acquired the vehicle or a portion thereof at the particular time and the registrant was entitled to claim a rebate under sections 383 to 397 in respect of any acquisition or bringing into Québec of the vehicle or any improvement to it, the difference between 100% and the percentage prescribed in section 386 that applied in determining the amount of the rebate, and".

540. (1) Section 249 of the said Act, amended by section 372 of chapter 63 of the statutes of 1995, is again amended by replacing the first and second paragraphs by the following paragraphs:

"**249.** Where a registrant, at any time in a reporting period of the registrant, makes a taxable supply by way of sale of a passenger vehicle that, immediately before that time, was used as capital property in commercial activities of the registrant, the registrant may, notwithstanding sections 203 to 206, paragraph 1 of section 240 and sections 241 and 248, claim an input tax refund for that period equal to the amount determined by the formula

$$A \times \frac{(B - C)}{B}.$$

For the purposes of this formula,

(1) A is the basic tax content of the vehicle at that time;

(2) B is the total of the tax that was payable by the registrant in respect of the last acquisition or bringing into Québec of the vehicle by the registrant and the tax that was payable by the registrant in respect of improvements to the vehicle acquired or brought into Québec by the registrant after the property was last so acquired or brought into Québec; and

(3) C is the total of all input tax refunds that the registrant was entitled to claim in respect of any tax included in the total referred to in subparagraph 2."

(2) Subsection 1 has effect from 1 April 1997.

541. (1) Section 250 of the said Act, amended by section 135 of chapter 3 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

"**250.** Where a registrant who is an individual or a partnership acquires or brings into Québec a passenger vehicle or an aircraft for use as capital property of the registrant, the tax payable by the registrant in respect of the acquisition or bringing into Québec of the vehicle or aircraft shall not be included in determining an input tax refund of the registrant unless the vehicle or aircraft was acquired or brought into Québec by the registrant for use exclusively in commercial activities of the registrant."

(2) Subsection 1 has effect from 1 April 1997.

542. (1) Section 252 of the said Act, amended by section 374 of chapter 63 of the statutes of 1995 and by section 135 of chapter 3 of the statutes of 1997, is again amended

(1) by replacing the portion of the first paragraph before subparagraph 1 by the following:

"**252.** Notwithstanding sections 250 and 251, for the purpose of determining an input tax refund of a registrant who is an individual or a partnership, where the registrant at a particular time acquires or brings into Québec a passenger vehicle or an aircraft for use as capital property of the registrant but not for use exclusively in commercial activities of the registrant and tax is payable by the registrant in respect of the acquisition or bringing into Québec, the following rules apply:";

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

"(2) the registrant is deemed to have paid, at that time, tax in respect of the acquisition or bringing into Québec of the vehicle or aircraft equal to the amount determined by multiplying the following amount by 7.5/107.5:

(*a*) where an amount in respect of the vehicle or aircraft is required by section 41 or 111 of the Taxation Act (chapter I-3) to be included in computing the income of an individual for a taxation year of the individual ending in that taxation year of the registrant, nil, and

(*b*) in any other case, the part or amount, prescribed under the Taxation Act, of the capital cost of the vehicle or aircraft that was deducted under that Act in computing the income of the registrant from those commercial activities for that taxation year of the registrant.";

(3) by striking out the second paragraph.

(2) Subsection 1 has effect from 1 April 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, the portion of paragraph 2 of section 252 of the said Act before subparagraph *a*, replaced by paragraph 2 of subsection 1, shall be read as follows:

"(2) the registrant is deemed to have paid, at that time, tax in respect of the acquisition or bringing into Québec of the vehicle or aircraft equal to the amount determined by multiplying the following amount by 6.5/106.5:".

543. (1) Section 253 of the said Act, amended by section 375 of chapter 63 of the statutes of 1995 and by section 135 of chapter 3 of the statutes of 1997, is again amended by replacing subparagraphs 1 and 2 of the first paragraph by the following subparagraphs:

"(1) the registrant is deemed to have made, immediately before that time, a taxable supply by way of sale of the vehicle or aircraft; and

"(2) the registrant is deemed to have collected, at that time, tax in respect of the supply equal to the basic tax content of the vehicle or aircraft immediately before that time."

(2) Subsection 1 has effect from 1 April 1997.

544. (1) Section 256 of the said Act is amended

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

"(2) except where the supply is an exempt supply, to have paid, at the particular time, tax in respect of the supply equal to the basic tax content of the immovable at the particular time.";

(2) by striking out the second paragraph.

(2) Subsection 1 has effect from 1 April 1997.

545. (1) Section 257 of the said Act is amended

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

"(2) except where the supply is an exempt supply, to have paid, at the particular time, tax in respect of the supply equal to the amount determined by the formula

$$A \times B.";$$

(2) in the second paragraph,

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

"(1) A is the basic tax content of the immovable at the particular time; and";

(*b*) by striking out subparagraph 3.

(2) Subsection 1 has effect from 1 April 1997.

546. (1) Section 258 of the said Act is amended

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

"(1) to have made, immediately before the particular time, a supply of the immovable by way of sale and, except where the supply is an exempt supply, to have collected, at the particular time, tax in respect of the supply equal to the basic tax content of the immovable at the particular time; and";

(2) by striking out the second paragraph.

(2) Subsection 1 has effect from 1 April 1997.

547. (1) Section 259 of the said Act is amended

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

"(2) except where the supply is an exempt supply, to have collected, at the particular time, tax in respect of the supply equal to the amount determined by the formula

$$A \times B.";$$

(2) in the second paragraph,

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

"(1) A is the basic tax content of the immovable at the particular time; and";

(*b*) by striking out subparagraph 3.

(2) Subsection 1 has effect from 1 April 1997.

548. (1) Section 261 of the said Act is amended

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

"(1) to have made, immediately before the particular time, a supply of the immovable by way of sale and, except where the supply is an exempt supply, to have collected, at the particular time, tax in respect of the supply equal to the amount determined by the formula

$$A - B;";$$

(2) in the second paragraph,

(*a*) by replacing subparagraphs 1 and 2 by the following subparagraphs:

"(1) A is the basic tax content of the immovable at the particular time; and

"(2) B is the tax, if any, that the individual is deemed under section 221 or sections 222.1 to 222.3 to have collected at the particular time in respect of the immovable.";

(*b*) by striking out subparagraphs 3 and 4.

(2) Subsection 1 has effect from 1 April 1997.

549. (1) Section 262 of the said Act is amended by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the basic tax content of the immovable at the particular time;".

(2) Subsection 1 has effect from 1 April 1997.

550. (1) Section 264 of the said Act is amended

(1) by replacing the portion before paragraph 1 by the following:

"**264.** Where an individual who is a registrant last acquired an immovable for use as capital property of the individual and primarily for the personal use and enjoyment of the individual or a related individual or for use otherwise than in commercial activities of the individual, and the individual begins, at a particular time, to use the immovable as capital property in commercial activities of the individual and not primarily for the personal use and enjoyment of the individual or a related individual, the individual is deemed";

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

"(2) except where the supply is an exempt supply, to have paid, at the particular time, tax in respect of the supply equal to the basic tax content of the immovable at the particular time."

(2) Paragraph 1 of subsection 1 has effect from 1 October 1992.

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997.

551. (1) Section 265 of the said Act is amended by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the basic tax content of the immovable at the particular time; and".

(2) Subsection 1 has effect from 1 April 1997.

552. (1) Section 273 of the said Act is amended by replacing paragraph 1 by the following paragraph:

"(1) to have made, immediately before the particular day, a taxable supply of the immovable by way of sale and to have collected, on the particular day, tax in respect of the supply equal to the basic tax content of the immovable on the particular day; and".

(2) Subsection 1 has effect from 1 April 1997.

553. (1) Subdivision 8 of Division II of Chapter V of Title I of the said Act is repealed.

(2) Subsection 1 has effect from 24 April 1996.

554. (1) Section 286 of the said Act, amended by section 379 of chapter 63 of the statutes of 1995 and by section 135 of chapter 3 of the statutes of 1997, is again amended by replacing the portion before paragraph 1 by the following:

"**286.** Where at any time a registrant that is a corporation, trust, partnership, charity, public institution or non-profit organization appropriates any property, other than capital property of the registrant, that was acquired, manufactured or produced, or any service acquired or performed, in the course of commercial activities of the registrant, to or for the benefit of a shareholder, partner, beneficiary or member of the registrant or any individual related to such a shareholder, partner, beneficiary or member, in any manner whatever, otherwise than by way of a supply made for consideration equal to the fair market value of the property or service, the following rules apply:".

(2) Subsection 1 has effect from 1 January 1997.

555. (1) Section 290 of the said Act, amended by section 382 of chapter 63 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**290.** Where a registrant makes a supply, other than an exempt or zero-rated supply, to an individual or a person related to the individual of property or a service, and an amount (in this paragraph referred to as the "benefit amount") in respect of the supply is required by section 37, 41, 41.1.1, 41.1.2 or 111 of the Taxation Act (chapter I-3) to be included in computing the individual's income for a taxation year of the individual, or the supply relates to the use or operation of an automobile and an amount (in this paragraph referred to as a "reimbursement") is paid by the individual or a person related to the individual that reduces the amount in respect of the supply that would otherwise be required under section 41, 41.1.1, 41.1.2 or 111 of the Taxation Act to be so included, the following rules apply:

(1) in the case of a supply of property otherwise than by way of sale, the use made by the registrant in so providing the property to the individual or person related to the individual is deemed to be use in commercial activities of the registrant and, to the extent that the registrant acquired the property or brought the property into Québec for the purpose of making that supply, the registrant is deemed to have so acquired the property or brought the property into Québec for use in commercial activities of the registrant; and

(2) for the purpose of determining the net tax of the registrant,

(*a*) the total of the benefit amount and all reimbursements is deemed to be the total consideration payable in respect of the provision during the year of the property or service to the individual or person related to the individual,

(*b*) the tax calculated on the total consideration is deemed to be equal to

i. where the benefit amount is an amount that is or would, if the individual were an employee of the registrant and no reimbursements were paid, be required under section 41.1.1 or 41.1.2 of the Taxation Act to be included in computing the individual's income, the prescribed percentage of the total consideration,

ii. where the benefit amount is required under section 37 or 41 of the Taxation Act to be included in computing the individual's income from an office or employment and the last establishment of the employer at which the individual ordinarily worked or to which the individual ordinarily reported in the year in relation to that office or employment is located in Québec, the amount determined by multiplying the total consideration by 7.5/107.5, and

iii. where the benefit amount is required under section 111 of the Taxation Act to be included in computing the individual's income and the individual is resident in Québec at the end of the year, the amount determined by multiplying the total consideration by 7.5/107.5, and

(*c*) that tax is deemed to have become collectible, and to have been collected, by the registrant

i. except where subparagraph ii applies, on the last day of February of the year following the taxation year, and

ii. where the benefit amount is or would, if no reimbursements were paid, be required under section 111 of the Taxation Act to be included in computing the individual's income and relates to the provision of the property or service in a taxation year of the registrant, on the last day of that taxation year."

(2) Subsection 1 applies from the taxation year 1996. However, subparagraph ii of subparagraph *b* of subparagraph 2 of the first paragraph of section 290 of the said Act, replaced by subsection 1, shall be read

(*a*) for the taxation year 1996 of the individual, as follows:

"ii. in any other case, 6.5/106.5 of the total consideration, and";

(*b*) for the taxation year 1997 of the individual, with "7.5/107.5" replaced by "6.5/106.5".

556. (1) Section 292 of the said Act, amended by section 383 of chapter 63 of the statutes of 1995 and by section 135 of chapter 3 of the statutes of 1997, is again amended by replacing paragraph 3 by the following paragraph:

"(3) an election made by the registrant under section 293 in respect of the property is in effect at the beginning of the taxation year; or".

(2) Subsection 1 applies to the taxation year 1996 and subsequent taxation years.

557. (1) Section 293 of the said Act is amended by adding, in the first paragraph, the following subparagraphs:

"(3) there shall not be included, in determining an input tax refund claimed by the registrant in a return under section 468 for that or any subsequent reporting period, tax calculated on an amount of consideration, or a value within the meaning of section 17, that may reasonably be attributed to

(*a*) any property that is acquired or brought into Québec for consumption or use in operating the vehicle or aircraft in respect of which the election is made and that is, or is to be, consumed or used after that day,

(*b*) that portion of any service relating to the operation of that vehicle or aircraft that is, or is to be, rendered after that day; and

"(4) where an amount in respect of any tax referred to in paragraph 3 was included in determining an input tax refund claimed by the registrant in a return under section 468 for a reporting period ending before that reporting period, that amount shall be added in determining the net tax of the registrant for that reporting period."

(2) Subsection 1 applies for the purpose of determining the net tax of a registrant for reporting periods that end after 31 December 1995. However, subparagraph 4 of the first paragraph of section 293 of the said Act, enacted by subsection 1, applies in respect of any property or service acquired or brought into Québec for consumption or use in operating a vehicle or aircraft in respect of which an election under that section comes into force before 1 January 1996 as if the election had come into force on 1 January 1996.

558. (1) Section 294 of the said Act, amended by section 288 of chapter 1 of the statutes of 1995 and replaced by section 384 of chapter 63 of the statutes of 1995, is again amended by replacing the portion before paragraph 1 by the following:

"**294.** A person is a small supplier throughout a particular calendar quarter and the first month immediately following the particular calendar quarter if the total referred to in paragraph 1 does not exceed the sum of the total referred to in paragraph 2 and $30,000 or, where the person is a public service body, $50,000:".

(2) Subsection 1 has effect from 23 April 1996.

559. (1) Section 295 of the said Act, amended by section 289 of chapter 1 of the statutes of 1995 and replaced by section 384 of chapter 63 of the statutes of 1995, is again amended by replacing the portion before paragraph 1 by the following:

"**295.** Notwithstanding section 294, where at any time in a calendar quarter the total referred to in paragraph 1 exceeds the sum of the total referred to in paragraph 2 and $30,000 or, where the person is a public service body, $50,000:".

(2) Subsection 1 has effect from 23 April 1996.

560. (1) Section 297.0.2 of the said Act, enacted by section 290 of chapter 1 of the statutes of 1995, is amended

(1) by replacing the portion before paragraph 1 by the following:

"**297.0.2.** A person that is a charity or a public institution at any time in a particular fiscal year of the person is a small supplier throughout the particular fiscal year if";

(2) by replacing paragraphs 2 and 3 by the following paragraphs:

"(2) the particular fiscal year is the second fiscal year of the person and the gross revenue of the person for the first fiscal year does not exceed $250,000; or

"(3) the particular fiscal year is not the first or second fiscal year of the person and the gross revenue of the person for either of the two fiscal years immediately preceding the particular fiscal year of the person does not exceed $250,000."

(2) Paragraph 1 of subsection 1 has effect from 1 January 1997.

(3) Paragraph 2 of subsection 1 has effect from 23 April 1996.

561. (1) Section 297.6 of the said Act, replaced by section 392 of chapter 63 of the statutes of 1995, is amended by replacing paragraph 2 by the following paragraph:

"(2) the direct seller may deduct that amount, in determining the net tax of the direct seller for the particular reporting period or for a subsequent reporting period, in a return under Chapter VIII filed by the direct seller within four years after the day on or before which the return under Chapter VIII for the particular reporting period is required to be filed."

(2) Subsection 1 applies to deductions in respect of supplies of exclusive products made by independent sales contractors after 30 June 1996.

562. (1) Section 297.7 of the said Act, amended by section 393 of chapter 63 of the statutes of 1995, is again amended by replacing the portion before subparagraph 1 of the first paragraph by the following:

"**297.7.** A direct seller may deduct the amount determined under subparagraph 3 in determining the net tax for the particular reporting period of

the direct seller in which the amount is paid to, or credited by the direct seller in favour of, an independent sales contractor of the direct seller, or for a subsequent reporting period, in a return under Chapter VIII filed by the direct seller within four years after the day on or before which the return under Chapter VIII is required to be filed for the particular reporting period where".

(2) Subsection 1 applies to deductions in respect of supplies of exclusive products made by independent sales contractors after 30 June 1996.

563. (1) Section 297.7.3 of the said Act, enacted by section 394 of chapter 63 of the statutes of 1995, is amended by replacing paragraph 2 by the following paragraph:

"(2) the distributor may deduct that amount, in determining the net tax of the distributor for the particular reporting period or for a subsequent reporting period, in a return under Chapter VIII filed by the distributor within four years after the day on or before which the return under Chapter VIII for the particular reporting period is required to be filed."

(2) Subsection 1 applies to deductions in respect of supplies of exclusive products made by independent sales contractors after 30 June 1996.

564. (1) Section 297.7.4 of the said Act, enacted by section 394 of chapter 63 of the statutes of 1995, is amended by replacing the portion before subparagraph 1 of the first paragraph by the following:

"**297.7.4.** A distributor of a direct seller may deduct the amount determined under subparagraph 3 in determining the net tax for the particular reporting period of the distributor in which the amount is paid to, or credited by the distributor in favour of, an independent sales contractor of the direct seller, other than a distributor, or for a subsequent reporting period, in a return under Chapter VIII filed by the distributor within four years after the day on or before which the return under Chapter VIII for the particular reporting period is required to be filed where".

(2) Subsection 1 applies to deductions in respect of supplies of exclusive products made by independent sales contractors after 30 June 1996.

565. (1) Section 298 of the said Act is amended by replacing paragraph 4 by the following paragraph:

"(4) in the case of a supply of an immovable referred to in section 102, in section 138.1 or in section 168, for the purposes of sections 233, 234, 379 and 380, the supply is deemed to be a taxable supply and the tax payable in respect of the supply is deemed to be equal to tax calculated on the fair market value of the property at that time."

(2) Subsection 1 applies in respect of supplies made after 31 December 1996.

566. (1) Section 300 of the said Act, amended by section 401 of chapter 63 of the statutes of 1995, is again amended by replacing paragraph 1 by the following paragraph:

"(1) the insurer is deemed to have collected, at that time, tax in respect of the supply equal to the amount determined by multiplying the fair market value of the property at that time by 7.5/107.5; and".

(2) Subsection 1 has effect from 1 April 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, paragraph 1 of section 300 of the said Act, replaced by subsection 1, shall be read as follows:

"(1) the insurer is deemed to have collected, at that time, tax in respect of the supply equal to the amount determined by multiplying the fair market value of the property at that time by 6.5/106.5; and".

567. (1) Section 300.1 of the said Act, amended by section 402 of chapter 63 of the statutes of 1995, is again amended

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

"(1) the insurer is deemed to have received, immediately after the particular time, a supply by way of sale of the property; and";

(2) by replacing subparagraphs *a* and *b* of paragraph 2 by the following subparagraphs:

"(*a*) to have made, at the particular time, a taxable supply of the property and to have collected, at the particular time, tax in respect of that supply equal to the amount determined by multiplying the fair market value of the property at the time it was transferred by 7.5/107.5, and

"(*b*) to have paid, immediately after the particular time, tax in respect of the supply referred to in paragraph 1 equal to the amount determined under subparagraph *a*."

(2) Paragraph 1 of subsection 1, and the portion of paragraph 2 of subsection 1 that replaces subparagraph *b* of paragraph 2 of section 300.1 of the said Act, have effect from 24 April 1996.

(3) The portion of paragraph 2 of subsection 1 that replaces subparagraph *a* of paragraph 2 of section 300.1 of the said Act has effect from 1 April 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, subparagraph *a* of paragraph 2 of section 300.1 of the said Act, replaced by paragraph 2 of subsection 1, shall be read as follows:

"(*a*) to have made, at the particular time, a taxable supply of the property and to have collected, at the particular time, tax in respect of that supply equal to the amount determined by multiplying the fair market value of the property at the time it was transferred by 6.5/106.5, and".

568. (1) Section 300.2 of the said Act, amended by section 403 of chapter 63 of the statutes of 1995, is again amended

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

"(*a*) to have received, immediately after the particular time, a supply by way of sale of the property, and

"(*b*) to have paid, immediately after the particular time, all tax payable in respect of that supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was transferred by 7.5/107.5, except where

i. the property was, at the time it was transferred, specified corporeal movable property having a fair market value in excess of the amount prescribed in respect of the property, and

ii. tax would not have been payable had the property been purchased in Québec from the person at the time it was transferred; and";

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

"(*b*) to have collected, at the particular time, all tax payable in respect of that supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was transferred by 7.5/107.5."

(2) Paragraph 1 of subsection 1 has effect from 24 April 1996. However, the portion of subparagraph *b* of paragraph 1 of section 300.2 of the said Act before subparagraph i, replaced by subsection 1,

(1) for the period that begins on 24 April 1996 and ends on 31 March 1997 shall be read as follows:

"(*b*) to have paid, immediately after the particular time, tax in respect of that supply equal to the tax fraction of the fair market value of the property at the time it was transferred, except where";

(2) for the period that begins on 1 April 1997 and ends on 31 December 1997 shall be read as follows:

"(*b*) to have paid, immediately after the particular time, all tax payable in respect of that supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was transferred by 6.5/106.5, except where".

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, subparagraph *b* of paragraph 2 of section 300.2 of the said Act, replaced by paragraph 2 of subsection 1, shall be read as follows:

"(*b*) to have collected, at the particular time, all tax payable in respect of that supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was transferred by 6.5/106.5."

569. (1) Section 301 of the said Act, amended by section 404 of chapter 63 of the statutes of 1995, is again amended

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

"(1) an insurer to whom movable property has been transferred from a person in circumstances in which section 298 applies makes at any time a taxable supply of the property by way of sale, other than a supply deemed, under this Title, to have been made;";

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

"The insurer is deemed to have received a supply of the property immediately before that time for consideration equal to the consideration for the supply referred to in subparagraph 1 of the first paragraph and to have paid, immediately before that time, all tax payable in respect of the supply deemed under this paragraph to have been received, which is deemed to be equal to the amount determined by the formula

$$A - B."$$

(2) Paragraph 1 of subsection 1 has effect in respect of property that is supplied by an insurer after 23 April 1996.

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997.

570. (1) Section 301.1 of the said Act is amended by replacing paragraph 2 by the following paragraph:

"(2) the property was transferred to the insurer before 1 January 1994 or was, at the time it was transferred, specified corporeal movable property having a fair market value in excess of the prescribed amount in respect of the property."

(2) Subsection 1 has effect in respect of property that is supplied by an insurer after 23 April 1996.

571. (1) Section 301.2 of the said Act, amended by section 405 of chapter 63 of the statutes of 1995, is again amended by replacing the second paragraph by the following paragraph:

"The insurer is deemed to have received a supply of the property immediately before that time and to have paid, immediately before that time, all tax payable in respect of that supply, which is deemed to be equal to tax calculated on the fair market value of the property at the time it was transferred."

(2) Subsection 1 has effect from 1 April 1997.

572. (1) Section 301.3 of the said Act is amended by replacing paragraph 2 by the following paragraph:

"(2) the property was transferred to the insurer before 1 January 1994 or was, at the time it was transferred, specified corporeal movable property having a fair market value in excess of the prescribed amount in respect of the property."

(2) Subsection 1 has effect in respect of property that is supplied by an insurer after 23 April 1996.

573. (1) Section 302 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**302.** Sections 302.1 to 309 apply where on a particular day a person becomes a bankrupt."

(2) Subsection 1 has effect from 1 July 1992. However, where the first paragraph of section 302 of the said Act, replaced by subsection 1, applies for the period from 1 July 1992 to 31 December 1992, it shall be read as follows:

"**302.** Sections 302.1 to 309 apply where at any time, in those sections referred to as "that time", a person becomes a bankrupt."

574. (1) The said Act is amended by inserting, after section 302, the following section:

"**302.1.** A trustee in bankruptcy is deemed to supply a service to the bankrupt of acting as trustee in bankruptcy and any amount to which the trustee is entitled for acting in that capacity is deemed to be consideration payable for that supply."

(2) Subsection 1 has effect from 1 July 1992.

575. (1) Section 318 of the said Act is replaced by the following section:

"**318.** Where at any time, as a consequence of the breach, modification or termination, after 30 June 1992, of an agreement for the making of a taxable

supply, other than a zero-rated supply, of property or a service in Québec by a registrant to a person, an amount is paid or forfeited to the registrant otherwise than as consideration for the supply, or a debt or other obligation of the registrant is reduced or extinguished without payment being made in respect of the debt or obligation,

(1) the person is deemed to have paid, at that time, an amount of consideration for the supply equal to the amount determined by multiplying the amount paid or forfeited, or by which the debt or obligation was reduced or extinguished, as the case may be, by 100/107.5; and

(2) the registrant is deemed to have collected, and the person is deemed to have paid, at that time, all tax in respect of the supply that is calculated on that consideration, which is deemed to be equal to tax under section 16 calculated on that consideration."

(2) The portion of subsection 1 that replaces the portion of section 318 of the said Act before paragraph 2 has effect from 24 April 1996. However, paragraph 1 of section 318 of the said Act

(*a*) shall be read as follows for the period from 24 April 1996 to 31 March 1997:

"(1) the consideration fraction of the amount paid, forfeited or extinguished, or by which the debt or obligation was reduced, as the case may be, is deemed to be consideration for the supply paid, at that time, by the person; and";

(*b*) shall be read with "100/107.5" replaced by "100/106.5" for the period from 1 April 1997 to 31 December 1997.

(3) The portion of subsection 1 that replaces paragraph 2 of section 318 of the said Act has effect from 1 April 1997.

576. (1) The said Act is amended by inserting, after section 318, the following sections:

"**318.0.1.** Paragraph 2 of section 318 does not apply in respect of amounts paid or forfeited, and debts or other obligations reduced or extinguished, as a consequence of a breach, modification or termination of an agreement where

(1) the agreement was entered into in writing before 1 July 1992;

(2) the amount is paid or forfeited, or the debt or other obligation is reduced or extinguished, as the case may be, after 1992; and

(3) tax in respect of the amount paid, forfeited or extinguished, or by which the debt or obligation was reduced, as the case may be, was not contemplated in the agreement.

"**318.0.2.** Chapters I to V of Title VI do not apply in respect of section 318."

(2) Subsection 1 has effect from 24 April 1996.

577. (1) Section 319 of the said Act is repealed.

(2) Subsection 1 has effect from 24 April 1996.

578. (1) Section 320 of the said Act is amended by replacing paragraph 4 by the following paragraph:

"(4) where the supply is a supply of an immovable referred to in section 102, 138.1 or 168, for the purposes of sections 233, 234, 379 and 380, the supply is deemed to be a taxable supply and the tax payable in respect of the supply is deemed to be equal to the tax calculated on the fair market value of the property at that time."

(2) Subsection 1 applies in respect of supplies made after 31 December 1996.

579. (1) Section 323.1 of the said Act, amended by section 406 of chapter 63 of the statutes of 1995, is again amended by replacing paragraph 1 by the following paragraph:

"(1) the creditor is deemed to have collected, at that time, tax in respect of the supply equal to the amount determined by multiplying the fair market value of the property at that time by 7.5/107.5; and".

(2) Subsection 1 has effect from 1 April 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, paragraph 1 of section 323.1 of the said Act, replaced by subsection 1, shall be read as follows:

"(1) the creditor is deemed to have collected, at that time, tax in respect of the supply equal to the amount determined by multiplying the fair market value of the property at that time by 6.5/106.5; and".

580. (1) Section 323.2 of the said Act, amended by section 407 of chapter 63 of the statutes of 1995, is again amended

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

"(1) the creditor is deemed to have received, immediately after the particular time, a supply by way of sale of the property; and";

(2) by replacing subparagraphs *a* and *b* of paragraph 2 by the following subparagraphs:

"(*a*) to have made, at the particular time, a taxable supply of the property and to have collected, at that time, tax in respect of that supply equal to the amount determined by multiplying the fair market value of the property at the time it was seized or repossessed by 7.5/107.5, and

"(*b*) to have paid, immediately after the particular time, tax in respect of the supply referred to in paragraph 1 equal to the amount determined under subparagraph *a*."

(2) Paragraph 1 of subsection 1 and the portion of paragraph 2 of subsection 1 that replaces subparagraph *b* of paragraph 2 of section 323.2 of the said Act have effect from 24 April 1996.

(3) The portion of paragraph 2 of subsection 1 that replaces subparagraph *a* of paragraph 2 of section 323.2 of the said Act has effect from 1 April 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, subparagraph *a* of paragraph 2 of that section 323.2, replaced by paragraph 2 of subsection 1, shall be read as follows:

"(*a*) to have made, at the particular time, a taxable supply of the property and to have collected, at that time, tax in respect of that supply equal to the amount determined by multiplying the fair market value of the property at the time it was seized or repossessed by 6.5/106.5, and".

581. (1) Section 323.3 of the said Act, amended by section 408 of chapter 63 of the statutes of 1995, is again amended

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

"(*a*) to have received, immediately after the particular time, a supply by way of sale of the property, and

"(*b*) to have paid, immediately after the particular time, all tax payable in respect of the supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was seized or repossessed by 7.5/107.5, except where

i. the property was, at the time it was seized or repossessed, specified corporeal movable property having a fair market value in excess of the prescribed amount in respect of the property, and;

ii. tax would not have been payable had the property been purchased in Québec from the person at the time it was seized or repossessed; and";

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

"(*b*) to have collected, at the particular time, all tax payable in respect of the supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was seized or repossessed by 7.5/107.5."

(2) Paragraph 1 of subsection 1 has effect from 24 April 1996. However, the portion of subparagraph *b* of paragraph 1 of section 323.3 of the said Act before subparagraph i, replaced by subsection 1,

(1) for the period that begins on 24 April 1996 and ends on 31 March 1997, shall be read as follows:

"(*b*) to have paid, immediately after the particular time, tax in respect of the supply equal to the tax fraction of the fair market value of the property at the time it was seized or repossessed, except where";

(2) for the period that begins on 1 April 1997 and ends on 31 December 1997, shall be read as follows:

"(*b*) to have paid, immediately after the particular time, all tax payable in respect of the supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was seized or repossessed by 6.5/106.5, except where".

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997. However, for the period that begins on 1 April 1997 and ends on 31 December 1997, subparagraph *b* of paragraph 2 of section 323.3 of the said Act, replaced by paragraph 2 of subsection 1, shall be read as follows:

"(*b*) to have collected, at the particular time, all tax payable in respect of the supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was seized or repossessed by 6.5/106.5."

582. (1) Section 324 of the said Act, amended by section 409 of chapter 63 of the statutes of 1995, is again amended

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

"(1) a creditor makes at any time a taxable supply by way of sale, other than a supply deemed under this Title to have been made, of movable property seized or repossessed from a person in circumstances in which section 320 applies;";

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

"The creditor is deemed to have received a supply of the property, immediately before that time, for consideration equal to the consideration for

the supply referred to in subparagraph 1 of the first paragraph, and to have paid, immediately before that time, all tax payable in respect of the supply deemed under this paragraph to have been received, which is deemed to be equal to the amount determined by the formula

$$A - B."$$

(2) Paragraph 1 of subsection 1 has effect in respect of property that is supplied by a creditor after 23 April 1996.

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997.

583. (1) Section 324.1 of the said Act is amended by replacing paragraph 2 by the following paragraph:

"(2) the property was seized or repossessed by the creditor before 1 January 1994 or was, at the time it was seized or repossessed, specified corporeal movable property having a fair market value in excess of the prescribed amount in respect of the property."

(2) Subsection 1 has effect in respect of property that is supplied by a creditor after 23 April 1996.

584. (1) Section 324.2 of the said Act, amended by section 410 of chapter 63 of the statutes of 1995, is again amended by replacing the second paragraph by the following paragraph:

"The creditor is deemed to have received a supply of the property, immediately before that time, and to have paid, immediately before that time, all tax payable in respect of the supply, which is deemed to be equal to tax calculated on the fair market value of the property at the time it was seized or repossessed."

(2) Subsection 1 has effect from 1 April 1997.

585. (1) Section 324.3 of the said Act is amended by replacing paragraph 2 by the following paragraph:

"(2) the property was seized or repossessed by the creditor before 1 January 1994 or was, at the time it was seized or repossessed, specified corporeal movable property having a fair market value in excess of the prescribed amount in respect of the property."

(2) Subsection 1 has effect in respect of property that is supplied by a creditor after 23 April 1996.

586. (1) Section 324.5 of the said Act is amended by replacing the portion of the first paragraph before subparagraph 2 by the following:

"**324.5.** The rules set out in the second paragraph apply where

(1) for the purpose of satisfying in whole or in part a debt or other obligation owing by a person, a creditor exercises a right under an Act of the Legislature of Québec, another province, the Northwest Territories, the Yukon Territory, or of the Parliament of Canada or an agreement relating to a debt security to cause the supply of property;".

(2) Subsection 1 has effect in respect of

(*a*) any supply made after 23 April 1996; and

(*b*) any supply made on or before 23 April 1996, unless

(1) no amount was, on or before 23 April 1996, charged or collected as or on account of tax under Title I of the said Act, or

(2) an amount was charged or collected as or on account of tax under Title I of the said Act in respect of the supply and, before 23 April 1996, the Minister of Revenue received an application for a rebate under section 400 of the said Act in respect of that amount, or, before 24 April 1996, granted the amount.

587. (1) The said Act is amended by inserting, after section 324.5, the following section:

"**324.5.1.** The rules set out in the second paragraph apply where

(1) for the purpose of satisfying in whole or in part a debt or obligation owing by a person (in this section referred to as the "debtor"), a creditor exercises a right under an Act of the Legislature of Québec, another province, the Northwest Territories, the Yukon Territory, or of the Parliament of Canada or an agreement relating to a debt security to cause the supply of property (in this section referred to as the "first supply");

(2) the recipient of the first supply has paid an amount (in this section referred to as the "tax amount") as or on account of tax with respect to that supply; and

(3) under the Act or the agreement, the debtor has a right to redeem the property and the debtor exercises that right.

The rules to which the first paragraph refers are as follows:

(1) the redemption of the property is deemed to be a supply of the property made by way of sale by the recipient of the first supply to the debtor for no consideration; and

(2) where the property was redeemed from the recipient of the first supply and an amount has been reimbursed by the debtor to the creditor or that recipient on account of the tax amount,

(*a*) except for the purposes of sections 320 to 324.6, the debtor is deemed not to have supplied the property to the creditor under section 320 or to have received a supply of the property at the time of the redemption,

(*b*) the debtor is deemed, for the purposes of sections 400 to 402, to have paid tax in error at the time of the redemption equal to the amount so reimbursed,

(*c*) where the tax amount has been included in determining a rebate or an input tax refund claimed by that recipient in an application or return, the amount of the rebate or the input tax refund shall be added in determining the net tax of that recipient for the reporting period in which the property was redeemed, and

(*d*) the tax amount shall not be included in determining a rebate or an input tax refund claimed by that recipient in an application or a return filed after the redemption of the property."

(2) Subsection 1 applies in respect of redemptions of property occurring after 23 April 1996.

588. (1) The said Act is amended, in Division VIII of Chapter VI of Title I, by replacing the heading by the following heading:

"DIVISION VIII

"SUCCESSION AND TRUST".

(2) Subsection 1 has effect from 1 July 1992.

589. (1) The said Act is amended, in Division VIII of Chapter VI of Title I, by inserting, after the heading, the following:

"**324.7.** Subject to sections 324.8, 324.9 and 326, where an individual dies, this Title applies as though the succession of the individual were the individual and the individual had not died, except that

(1) the reporting period of the individual during which the individual died ends on the day the individual died; and

(2) a reporting period of the succession begins on the day after the individual died and ends on the day the reporting period of the individual would have ended if the individual had not died.

"**324.8.** For the purposes of sections 324.9 to 326,

"trust" includes the succession of a deceased individual;

"trustee" includes the personal representative of a deceased individual, but does not include a receiver within the meaning assigned by the second paragraph of section 310.

"**324.9.** Subject to section 324.10, each trustee of a trust is liable to satisfy every obligation imposed on the trust under this Title, whether the obligation was imposed before or during the period during which the trustee acts as trustee of the trust.

"**324.10.** A trustee of a trust is solidarily liable with the trust and each of the other trustees, if any, for the payment or remittance of all amounts that become payable or remittable by the trust before or during the period during which the trustee acts as trustee of the trust.

Notwithstanding the first paragraph, the trustee is liable for the payment or remittance of amounts that became payable or remittable before the period only to the extent of the value of the property and money of the trust under the control of the trustee.

"**324.11.** Notwithstanding section 324.9, the Minister may, in writing, waive the requirement for the personal representative of a deceased individual to file a return in prescribed form containing prescribed information for a reporting period of the individual ending on or before the day the individual died.

"**324.12.** Where a person acts as trustee of a trust,

(1) anything done by the person in the person's capacity as trustee of the trust is deemed to have been done by the trust and not by the person; and

(2) notwithstanding paragraph 1, where the person is not an officer of the trust, the person is deemed to supply a service to the trust of acting as a trustee of the trust and any amount to which the person is entitled for acting in that capacity that is included, for the purposes of the Taxation Act (chapter I-3), in determining the person's income or, where the person is an individual, the person's income from a business, is deemed to be consideration for that supply."

(2) Subsection 1 has effect from 1 July 1992. However, paragraphs 1 and 2 of section 324.7 of the said Act, enacted by subsection 1, do not apply to reporting periods of an individual or of the succession of the individual if the individual died before 24 April 1996.

590. (1) Section 325, amended by section 291 of chapter 1 of the statutes of 1995, and section 326 of the said Act are replaced by the following sections:

"**325.** Where a person settles property on an *inter vivos* trust,

(1) the person is deemed to have made and the trust is deemed to have received a supply by way of sale of the property; and

(2) the supply is deemed to have been made for consideration equal to the amount determined under the Taxation Act (chapter I-3) to be the proceeds of disposition of the property.

"**326.** Where a trustee of a trust distributes property of the trust to one or more persons, the distribution of the property is deemed to be a supply of the property made by the trust at the place at which the property is delivered to the persons and for consideration equal to the amount determined under the Taxation Act (chapter I-3) to be the proceeds of disposition of the property."

(2) Subsection 1 has effect from 1 July 1992. However, where section 326 of the said Act, replaced by subsection 1, applies

(*a*) to distributions made before 24 April 1996, it shall be read with "one or more persons" replaced by "beneficiaries of the trust";

(*b*) before 1 April 1997, it shall be read without reference to "at the place at which the property is delivered to the persons and".

591. (1) Section 327.1 of the said Act, enacted by section 293 of chapter 1 of the statutes of 1995 and amended by section 412 of chapter 63 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**327.1.** Where a registrant, under an agreement between the registrant and a non-resident person, makes a taxable supply in Québec of corporeal movable property by way of sale, or a taxable supply in Québec of a service of manufacturing or producing corporeal movable property, to the non-resident person, or acquires physical possession of corporeal movable property, other than property of a person who is resident in Québec or is registered under Division I of Chapter VIII, for the purpose of making a taxable supply of a commercial service in respect of the property to the non-resident person and where, under the agreement, the registrant at any time causes physical possession of the property to be transferred, at a place in Québec, to a third person (in this section referred to as the "consignee") or to the non-resident person, the following rules apply:

(1) the registrant is deemed to have made to the non-resident person, and the non-resident person is deemed to have received from the registrant, a taxable supply of the property which is deemed to have been made for consideration, that becomes due and is paid at that time, equal to

(*a*) where the registrant has caused physical possession of the property to be transferred to a consignee to whom the non-resident person has supplied the property for no consideration, nil, and

(*b*) in any other case, the fair market value of the property at that time; and

(2) where the registrant made a supply of a service of manufacturing or producing the property or of a commercial service in respect of the property to the non-resident person, except in the case of a supply of a service of storing or shipping the property, the registrant is deemed not to have made that supply of the service."

(2) The portion of subsection 1 that replaces the portion of the first paragraph of section 327.1 of the said Act before subparagraph 1 has effect from 1 July 1992.

(3) The portion of subsection 1 that replaces the portion of subparagraph 1 of the first paragraph of section 327.1 of the said Act before subparagraph *a* has effect from 1 April 1997.

(4) The portion of subsection 1 that replaces subparagraphs *a* and *b* of subparagraph 1 and subparagraph 2 of the first paragraph of section 327.1 of the said Act applies in respect of supplies made after 23 April 1996.

592. (1) Section 327.6 of the said Act, enacted by section 293 of chapter 1 of the statutes of 1995, is amended by replacing paragraph 2 by the following paragraph:

"(2) does not claim an input tax refund in respect of the property."

(2) Subsection 1 has effect from 1 April 1997.

593. (1) The said Act is amended by inserting, after section 327.7, the following:

"DIVISION IX.1

"OUTSIDE TRAVEL

"**327.8.** For the purposes of this division,

"outside flight" means any flight, other than a flight originating and terminating in Québec, of an aircraft that is operated by a person in the course of a business of supplying passenger transportation services;

"outside voyage" means any voyage, other than a voyage originating and terminating in Québec, of a vessel that is operated by a person in the course of a business of supplying passenger transportation services.

"**327.9.** Where a supply of corporeal movable property or a service, other than a passenger transportation service, is made to an individual on board an aircraft on an outside flight or a vessel on an outside voyage and physical possession of the property is transferred to the individual, or the

service is wholly performed, on board the aircraft or vessel, the supply is deemed to have been made outside Québec."

(2) Subsection 1 applies in respect of supplies made after 23 April 1996.

594. (1) The said Act is amended by inserting, after section 341, the following section:

"**341.0.1.** Notwithstanding sections 338 to 341, where a public service body applies to the Minister of National Revenue under subsection 2 of section 129 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) to have the division or branch specified in the application designated by the Minister of National Revenue as an eligible division for the purposes of section 129 of that Act,

(1) the body is not required to make an application under section 338;

(2) the body is deemed to have received a notice in writing from the Minister under section 339 designating the division or branch specified in the application as an eligible division or branch for the purposes of sections 337.2 to 341.3, from the day on which the division or branch is designated by the Minister of National Revenue, by a notice in writing, as an eligible division or branch for the purposes of section 129 of that Act;

(3) the designation deemed to have been made under section 339 is deemed to have been revoked from the day on which the designation under subsection 3 of section 129 of that Act is revoked under subsection 4 of section 129 of that Act; and

(4) the notice in writing sent to the body under subsection 5 of section 129 of that Act is deemed to be a notice in writing sent to the body under section 341 and the effective date of the notice is deemed to be the effective date of the revocation.

The Minister may require that the body inform the Minister in prescribed form containing prescribed information and in the manner and within the time prescribed by the Minister of any designation under subsection 3 of section 129 of that Act or of any revocation of a designation, or require that the body transmit to the Minister a notice of designation or of revocation of a designation."

(2) Subsection 1 has effect from 1 August 1995.

595. (1) The said Act is amended, in Division XIII of Chapter VI of Title I, by replacing the heading by the following heading:

"DIVISION XIII

"PARTNERSHIP AND JOINT VENTURE".

(2) Subsection 1 has effect from 24 April 1996.

596. (1) The said Act is amended, in Division XIII of Chapter VI of Title I, by inserting, after the heading, the following sections:

"**345.1.** Anything done by a person as a member of a partnership is deemed to have been done by the partnership in the course of the partnership's activities and not to have been done by the person.

"**345.2.** Notwithstanding section 345.1, where property or a service is acquired or brought into Québec by a member of a partnership for consumption, use or supply in the course of activities of the partnership but not on the account of the partnership, the following rules apply:

(1) except as otherwise provided in section 212, the partnership is deemed not to have acquired or brought into Québec the property or service;

(2) where the member is not an individual, for the purpose of determining an input tax refund or rebate of the member in respect of the property or service and, in the case of property that is acquired or brought into Québec for use as capital property of the member, applying subdivision 5 of Division II of Chapter V in relation to the property,

(*a*) section 345.1 does not apply to deem the member not to have acquired or brought into Québec the property or service, and

(*b*) the member is deemed to be engaged in those activities of the partnership; and

(3) where the member is not an individual and the partnership at any time pays an amount to the member as a reimbursement and is entitled to claim an input tax refund in respect of the property or service in circumstances in which section 212 applies, any input tax refund in respect of the property or service that the member would, but for this section, be entitled to claim in a return of the member that is filed with the Minister after that time shall be reduced by the amount of the input tax refund that the partnership is entitled to claim.

"**345.3.** Where a person who is or agrees to become a member of a partnership makes a supply of property or a service to the partnership otherwise than in the course of the partnership's activities,

(1) where the property or service is acquired by the partnership for consumption, use or supply exclusively in the course of commercial activities of the partnership, any amount that the partnership agrees to pay to or credit the person in respect of the property or service is deemed to be consideration for the supply that becomes due at the time the amount is paid or credited; and

(2) in any other case, the supply is deemed to have been made for consideration that becomes due at the time the supply is made equal to the fair

market value at that time of the property or service acquired by the partnership determined as if the person were not a member of the partnership and were dealing at arm's length with the partnership.

"**345.4.** Where a partnership disposes of property of the partnership to a person who, at the time the disposition is agreed to or otherwise arranged, is or has agreed to become a member of the partnership or to a person as a consequence of that person ceasing to be a member of the partnership,

(1) the partnership is deemed to have made to the person, and the person is deemed to have received from the partnership, a supply of the property for consideration that becomes due at the time the property is disposed of equal to the total fair market value of the property (including the fair market value of the person's interest in the property) immediately before that time; and

(2) section 286 does not apply in respect of the supply.

"**345.5.** A partnership and each member or former member (each of which is referred to in this section as the "member") of the partnership, other than a member who is a limited partner and is not a general partner, are solidarily liable for

(1) the payment or remittance of all amounts that become payable or remittable by the partnership before or during the particular period during which the member is a member of the partnership or, where the member was a member of the partnership at the time the partnership was dissolved, after the dissolution of the partnership; and

(2) all other obligations under this Title that arose before or during the particular period for which the partnership is liable or, where the member was a member of the partnership at the time the partnership was dissolved, the obligations that arose upon or as a consequence of the dissolution.

Notwithstanding subparagraph 1 of the first paragraph,

(1) the member is liable for the payment or remittance of amounts that become payable or remittable before the particular period only to the extent of the value of the property and money of the partnership; and

(2) the payment or remittance by the partnership or by any member thereof of an amount in respect of the liability discharges the joint liability to the extent of that amount.

"**345.6.** Where a partnership would, but for this section, be regarded as having ceased to exist, the partnership is deemed not to have ceased to exist until the registration of the partnership is cancelled.

"**345.7.** A partnership is deemed to be a continuation of and the same person as a particular partnership where

(1) the particular partnership would, but for this section and sections 345.1 to 345.6, be regarded as having ceased at any time to exist;

(2) a majority of the members of the particular partnership that together had, at or immediately before that time, more than a 50% interest in the capital of the particular partnership become members of the partnership of which they comprise more than half of the members; and

(3) the members of the particular partnership who become members of the partnership transfer to the partnership all or substantially all of the property distributed to them in settlement of their capital interests in the particular partnership.

The first paragraph does not apply where the partnership is registered or applies for registration under Division I of Chapter VIII."

(2) Subsection 1 has effect from 24 April 1996. However,

(1) section 345.2 of the said Act, enacted by subsection 1, also applies for the purpose of determining an input tax refund for a reporting period beginning before 24 April 1996, where the refund is claimed in a return that is received by the Minister of Revenue on or after 23 April 1996 or allowed by the Minister of Revenue on or after that day;

(2) where a supply or disposition referred to in section 345.3 or 345.4 of the said Act, enacted by subsection 1, was made by a registrant to another person before 24 April 1996 and the amount charged or collected as or on account of tax under Title I of the said Act in respect of the supply or disposition exceeds the amount of tax under that Title that was payable in respect of the supply or disposition,

(*a*) where the Minister of Revenue receives, after 22 April 1996, an application for a rebate of the excess under section 400 of the said Act, or granted an amount before 24 April 1996, sections 345.3 and 345.4 of the said Act, enacted by subsection 1, apply in respect of the supply or disposition for the purpose of determining the amount of the rebate, if any, and

(*b*) in any other case, except where the Minister of Revenue received, before 23 April 1996, an application for a rebate of the excess under section 400 of the said Act, the amount charged or collected as or on account of tax under Title I of the said Act in respect of the supply or disposition is deemed to be the amount of tax under that Title that was payable in respect of the supply or disposition; and

(3) section 345.5 of the said Act, enacted by subsection 1, applies in respect of amounts that become payable or remittable after 23 April 1996 and in respect of all other amounts and obligations outstanding after that day.

597. (1) Section 346.4 of the said Act, amended by section 510 of chapter 63 of the statutes of 1995, is replaced by the following section:

"**346.4.** Where a registrant and another person make, or purport to make, an election under section 346, the registrant and the other person are solidarily liable for all obligations under this Title that result from the activities for which the agreement was entered into and that are or would be, but for this division, engaged in by the registrant on behalf of the other person."

(2) Subsection 1 has effect from 1 July 1992. However, for the period from 1 July 1992 to 31 December 1993, the English text of section 346.4 shall be read with the word "solidarily" replaced by the words "jointly and severally".

598. (1) Section 350.1 of the said Act is replaced by the following section:

"**350.1.** For the purposes of this section and sections 350.2 to 350.5,

"coupon" includes a ticket, receipt or other device but does not include a gift certificate;

"tax fraction" of a coupon value or of the discount or exchange value of a coupon means 7.5/107.5."

(2) Subsection 1 has effect from 1 April 1997. However, where the definition of "tax fraction" in section 350.1 of the said Act, enacted by subsection 1, applies from 1 April 1997 to 31 December 1997, it shall be read with "7.5/107.5" replaced by "6.5/106.5".

599. (1) Section 350.3 of the said Act, amended by section 296 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**350.3.** Where at any time a registrant accepts, in full or partial consideration for a taxable supply of property or a service, other than a zero-rated supply, a coupon that entitles the recipient of the supply to a reduction of the price of the property or service equal to a fixed dollar amount specified in the coupon or a fixed percentage, specified in the coupon (the amount of which reduction is, in each case, referred to in this section as the "coupon value") and the registrant can reasonably expect not to be paid an amount for the redemption of the coupon by another person,

(1) the registrant shall treat the coupon

(*a*) as reducing the value of the consideration for the supply as provided for in section 350.4, where subsection 4 of section 181 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) applies to the coupon, or

(*b*) as a partial cash payment that does not reduce the value of the consideration for the supply; and

(2) where the registrant treats the coupon as a partial cash payment that does not reduce the value of the consideration for the supply, subparagraphs 1 to 3 of the first paragraph of section 350.2 apply in respect of the supply and the coupon and the registrant may claim an input tax refund for the reporting period of the registrant that includes that time equal to the tax fraction of the coupon value."

(2) Subsection 1 has effect from 1 April 1997.

600. (1) Section 350.5 of the said Act, amended by section 297 of chapter 1 of the statutes of 1995, is again amended

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

"(2) where the supply is not a zero-rated supply and the coupon entitled the recipient to a reduction of the price of the property or service equal to a fixed dollar amount specified in the coupon or a fixed percentage, specified in the coupon, of the price (the amount of which reduction is, in each case, referred to in this section as the "coupon value"), the particular person, if a registrant at the time of the payment, may claim an input tax refund for the reporting period of that particular person that includes that time equal to the tax fraction of the coupon value.";

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

"Subparagraph 2 of the first paragraph does not apply where all or part of the coupon value is an amount of an adjustment, refund or credit to which section 449 applies or where the particular person is, at the time of the payment, a prescribed registrant referred to in section 279."

(2) Subsection 1 has effect from 1 April 1997.

601. (1) Section 350.6 of the said Act, amended by section 298 of chapter 1 of the statutes of 1995 and by section 422 of chapter 63 of the statutes of 1995, is again amended

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

"(1) the registrant may claim an input tax refund for the reporting period of the registrant that includes that time equal to the amount obtained when 7.5/107.5 (in this section referred to as the "tax fraction in respect of the rebate") is multiplied by the amount of the rebate;";

(2) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the tax fraction in respect of the rebate;".

(2) Subsection 1 has effect from 1 April 1997. However, where subparagraph 1 of the first paragraph of section 350.6 of the said Act, replaced by subsection 1, applies from 1 April 1997 to 31 December 1997, it shall be read with "7.5/107.5" replaced by "6.5/106.5".

602. (1) Section 350.39 of the said Act, amended by section 429 of chapter 63 of the statutes of 1995, is again amended by replacing subparagraph 2 of the second paragraph by the following subparagraph:

"(2) to have paid at that time tax in respect of the supply equal to the basic tax content of the container at that time."

(2) Subsection 1 has effect from 1 April 1997.

603. (1) Section 350.40 of the said Act, amended by section 430 of chapter 63 of the statutes of 1995, is again amended by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) to have made immediately before that time a supply of the container and to have collected at that time tax in respect of the supply equal to the basic tax content of the container at that time; and".

(2) Subsection 1 has effect from 1 April 1997.

604. (1) Section 350.44 of the said Act, enacted by section 301 of chapter 1 of the statutes of 1995 and amended by section 432 of chapter 63 of the statutes of 1995 and by section 128 of chapter 3 of the statutes of 1997, is again amended by replacing the portion before subparagraph 1 of the first paragraph by the following:

"**350.44.** Where a person (in this division referred to as the "operator") provides space in a flea market or similar business to a person (in this division referred to as the "occupant"), the following rules apply:".

(2) Subsection 1 has effect from 1 August 1995.

605. (1) Section 351 of the said Act, amended by section 434 of chapter 63 of the statutes of 1995, is again amended by striking out subparagraph 1 of the third paragraph.

(2) Subsection 1 applies in respect of property acquired after 23 April 1996.

606. (1) The said Act is amended by inserting, after section 353, the following sections:

"**353.0.1.** A person is entitled to a rebate of the tax paid by the person under section 16 in respect of a supply of a service, other than a transportation service, in respect of corporeal movable property that is ordinarily located

outside Québec but within Canada, that is temporarily brought into Québec for the sole purpose of having the service performed and that is taken or shipped outside Québec but within Canada as soon as is practicable after the service is performed.

The person is also entitled to a rebate of tax paid by the person under section 16 in respect of any corporeal movable property supplied with the service.

"**353.0.2.** A person is not entitled to a rebate under section 353.0.1 unless

(1) the person files an application for the rebate within four years after the day the tax was paid; and

(2) the application for the rebate is accompanied by evidence that the person has paid a tax in respect of the service and of any corporeal movable property supplied with the service, imposed by the province or territory where the property was taken or shipped, of the same nature as that payable under this Title.

"**353.0.3.** Subject to sections 353.0.1 and 353.0.4, where a person who is not resident in Québec but who is resident in Canada is the recipient of a supply of incorporeal movable property or a service that is acquired by the person for consumption, use or supply primarily outside Québec and tax under section 16 is paid by the person in respect of the supply, the person is entitled to a rebate of tax equal to the amount determined by the formula

$$A \times B.$$

For the purposes of this formula,

(1) A is the amount of the tax; and

(2) B is the extent, expressed as a percentage, to which the incorporeal movable property or service is acquired by the person for consumption, use or supply outside Québec.

This section does not apply to a person who is a listed financial institution referred to in paragraph 6 or 9 of the definition of "listed financial institution" in section 1, in respect of supplies of an administration or management service, and of any other service, provided to the recipient of a supply of an administration or management service by the supplier of that administration or management service.

"**353.0.4.** A person is not entitled to a rebate under section 353.0.3 unless

(1) the person files an application for the rebate within one year after the day the tax became payable;

(2) except where the application is a prescribed application, where the person is an individual, the individual has not made another application under this section in the calendar quarter in which the application is made;

(3) where the person is not an individual, the person has not made another application under this section in the calendar month in which the application is made;

(4) the rebate is substantiated by a receipt for an amount that includes consideration, totalling at least $53.50, for taxable supplies, other than zero-rated supplies, in respect of which the person is otherwise eligible for a rebate under that section; and

(5) the application for a rebate relates to taxable supplies, other than zero-rated supplies, the total consideration for which is at least $214."

(2) The portion of subsection 1 that enacts sections 353.0.1 and 353.0.2 of the said Act has effect in respect of supplies of a service made after 22 November 1996.

(3) The portion of subsection 1 that enacts sections 353.0.3 and 353.0.4 of the said Act has effect from 1 April 1997.

607. (1) Section 353.6 of the said Act is replaced by the following section:

"**353.6.** For the purposes of this subdivision and section 357, "tour package" has the meaning assigned by section 63, but does not include a tour package that includes a convention facility or related convention supplies."

(2) Subsection 1 has effect from 1 July 1992.

608. (1) Section 354 of the said Act is replaced by the following section:

"**354.** Subject to sections 356 and 357, a person not resident in Canada is entitled to a rebate of the tax paid by the person in respect of short-term accommodation if

(1) the person is the recipient of a supply made by a registrant of short-term accommodation or a tour package that includes short-term accommodation;

(2) the accommodation or tour package is acquired by the person otherwise than for supply in the ordinary course of a business of the person of making such supplies; and

(3) the accommodation is made available to an individual not resident in Canada."

(2) Subsection 1 applies in respect of any rebate under sections 353.6 to 356.1 of the said Act for which an application is received by the Minister of Revenue after 23 April 1996.

609. (1) Section 354.1 of the said Act is amended by replacing paragraph 4 by the following paragraph:

"(4) the accommodation is made available to an individual not resident in Canada."

(2) Subsection 1 applies in respect of any rebate under sections 353.6 to 356.1 of the said Act for which an application is received by the Minister of Revenue after 23 April 1996.

610. (1) Section 355 of the said Act, amended by section 303 of chapter 1 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**355.** Where, in an application filed by a person for rebates under section 354 in respect of one or more supplies of short-term accommodation that is neither acquired by the person for use in the course of a business of the person nor included in a tour package and in respect of which tax was paid by the person, the person elects to have any of those rebates determined in accordance with the formula set out in this section, the amount of tax paid in respect of each of those supplies of short-term accommodation is deemed to be equal to

$$A \times \$6."$$

(2) Subsection 1 applies in respect of any rebate under sections 353.6 to 356.1 of the said Act for which an application is received by the Minister of Revenue after 23 April 1996. However, where the first paragraph of section 355 of the said Act, replaced by subsection 1, applies for the period from 23 April 1996 to 31 December 1997, it shall be read with "$6" replaced by "$5".

611. (1) Section 355.1 of the said Act, amended by section 304 of chapter 1 of the statutes of 1995, is again amended

(1) by replacing the formula in subparagraph 1 of the first paragraph by the following formula:

"$A \times \$6$";

(2) by replacing subparagraph 3 of the second paragraph by the following subparagraph:

"(3) C is the number of nights the individual not resident in Canada to whom the accommodation is made available spends in Québec during the period commencing on the earlier of the first day on which overnight lodging included in the tour package is made available to the individual and the first day any overnight transportation service included in the tour package is rendered to the individual and ending on the later of the last day such lodging is made available to the individual and the last day any such transportation service is rendered to the individual; and".

(2) Paragraph 1 of subsection 1 applies in respect of any rebate for which an application is made after 31 December 1997.

(3) Paragraph 2 of subsection 1 applies in respect of any rebate under sections 353.6 to 356.1 of the said Act for which an application is received by the Minister of Revenue after 23 April 1996.

612. (1) Sections 355.2 and 355.3 of the said Act are replaced by the following sections:

"**355.2.** For the purpose of determining, in accordance with the formula set out in section 355, a rebate payable under section 354 to a consumer of short-term accommodation, where a registrant makes a particular supply to the consumer of short-term accommodation that is made available to the consumer for any night, any other supply by the registrant to the consumer of short-term accommodation that is made available to the consumer for the same night is deemed not to be a supply separate from the particular supply.

"**355.3.** For the purpose of determining, in accordance with the formula set out in subparagraph 1 of the first paragraph of section 355.1, the amount of a rebate payable under section 354 to a consumer of a tour package that includes short-term accommodation, where a registrant makes a supply to the consumer of a particular tour package that includes short-term accommodation that is made available to the consumer for any night, any other short-term accommodation that is included in another tour package supplied by the registrant to the consumer and made available to the consumer for the same night is deemed to be included in the particular tour package and not in any other tour package."

(2) Subsection 1 applies in respect of any rebate under sections 353.6 to 356.1 of the said Act for which an application is received by the Minister of Revenue after 23 April 1996.

613. (1) Section 356 of the said Act is amended by replacing subparagraph 1 of the first paragraph by the following subparagraph:

"(1) a registrant makes a supply of short-term accommodation or a tour package that includes short-term accommodation to a recipient not resident in Canada who either is an individual or is acquiring the accommodation or tour package for use in the course of a business of the recipient or for supply in the ordinary course of a business of the recipient of making such supplies;".

(2) Subsection 1 applies in respect of any rebate under sections 353.6 to 356.1 of the said Act for which an application is received by the Minister of Revenue after 23 April 1996.

614. (1) Section 357 of the said Act, amended by section 305 of chapter 1 of the statutes of 1995, is again amended

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

"(4.1) in the case of a rebate under section 351, the rebate is substantiated by a receipt for an amount that includes consideration, totalling at least $53.50, for taxable supplies, other than zero-rated supplies, in respect of which the person is otherwise eligible for a rebate under that section;";

(2) by replacing paragraph 5 by the following paragraph:

"(5) the application for a rebate relates to taxable supplies, other than zero-rated supplies, the total consideration for which is at least $214;";

(3) by replacing paragraph 7 by the following paragraph:

"(7) the total of all rebates for which the application is made that are in respect of short-term accommodation included in tour packages and that are determined in accordance with the formula set out in paragraph 1 of section 355.1 does not exceed

(*a*) where the person is a consumer of the tour packages, $90, and

(*b*) in any other case, $90 for each individual to whom the accommodation is made available."

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of any rebate for which an application is received by the Minister of Revenue after 30 June 1996.

(3) Paragraph 3 of subsection 1 applies in respect of any rebate under sections 353.6 to 356.1 of the said Act for which an application is received by the Minister of Revenue after 23 April 1996. However, where paragraph 7 of section 357 of the said Act, replaced by paragraph 3 of subsection 1, applies for the period from 23 April 1996 to 31 December 1997, it shall be read with "$90" replaced by "$75".

615. (1) The said Act is amended by inserting, after section 357.5, the following:

"IV.1. — *Installation services*

"**357.5.1.** Where corporeal movable property is supplied on an installed basis by a supplier not resident in Québec who is not registered under Division I of Chapter VIII to a particular person who is so registered and the supplier or another person not resident in Québec who is not so registered is the recipient of a taxable supply in Québec of a service of installing, in an immovable situated in Québec, the corporeal movable property so that it can be used by the particular person,

(1) the recipient of the service is entitled to a rebate of the tax paid by the recipient of the service in respect of the supply of the service if the recipient of the service files an application within one year after the completion of the service; and

(2) the particular person is deemed to have received from the supplier of the corporeal movable property a taxable supply of the service that is separate from and not incidental to the supply of the property, for consideration equal to that part of the total consideration paid or payable by the particular person for the property and the installation of the property that can reasonably be attributed to the installation.

"**357.5.2.** Where a person not resident in Québec submits to a supplier an application for a rebate under section 357.5.1 to which the person not resident in Québec would be entitled in respect of a supply made by the supplier to the person not resident in Québec if the person not resident in Québec had paid the tax in respect of the supply and had applied for the rebate in accordance with that section, the supplier may pay to, or credit in favour of, the person not resident in Québec the amount of the rebate in which event the supplier shall transmit the application to the Minister with the supplier's return filed under Chapter VIII for the reporting period in which the rebate is paid or credited to the person not resident in Québec and, notwithstanding section 28 of the Act respecting the Ministère du Revenu (chapter M-31), no interest is payable in respect of the rebate.

"**357.5.3.** Where, under section 357.5.2, a supplier pays to, or credits in favour of, a person an amount on account of a rebate and the supplier knows or ought to know that the person is not entitled to the rebate or that the amount paid or credited to the person exceeds the rebate to which the person is entitled, the supplier and the person are solidarily liable to pay to the Minister the amount that was paid to, or credited in favour of, the person on account of the rebate or the excess amount, as the case may be."

(2) Subsection 1 applies in respect of supplies of services made after 23 April 1996.

616. (1) Section 358 of the said Act, amended by section 306 of chapter 1 of the statutes of 1995, by section 437 of chapter 63 of the statutes of 1995, by section 135 of chapter 3 of the statutes of 1997 and by section 343 of chapter 14 of the statutes of 1997, is again amended

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

"**358.** Where a musical instrument, motor vehicle, aircraft or any other property or a service is or would, but for section 345.1, be regarded as having been acquired or brought into Québec by an individual who is a member of a partnership that is a registrant or an employee of a registrant, in the case of an individual who is a member of a partnership, the acquisition or bringing into Québec is not on the account of the partnership, the individual has paid the tax

payable in respect of the acquisition or bringing into Québec, and, in the case of an acquisition or bringing into Québec of a musical instrument, the individual is not entitled to claim an input tax refund in respect of the instrument, the individual is entitled, subject to sections 359 and 360, to a rebate in respect of the property or service for each calendar year equal to the amount determined by the formula

$$A \times (B + C - D).";$$

(2) in the second paragraph:

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

"(1) A is 7.5/107.5;";

(*b*) by replacing subparagraph 3 by the following subparagraph:

"(3) C is the amount paid by the individual in the year and which may or could, were it not for sections 752.0.18.7 and 752.0.18.9 of the Taxation Act and Book V.2.1 of Part I of that Act, be included in the aggregate referred to in section 752.0.18.3 or 752.0.18.8 of that Act and that refers to the supply in Québec of the other property or to the supply of the service, including the tax paid or payable under this Title and Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15);";

(*c*) by adding the following subparagraph:

"(4) D is the total of all amounts that the individual received or is entitled to receive from the individual's employer or the partnership, as the case may be, as a reimbursement in respect of the amount represented by the letter B or C in the formula under this section.";

(3) by replacing, in the French text, the third paragraph by the following paragraph:

"Le présent article ne s'applique pas dans le cas où le particulier a reçu à l'égard du montant visé à la lettre B ou C de la formule prévue au présent article une allocation d'une personne à l'exception d'une allocation que la personne a considérée au moment de son versement comme une allocation qui n'était pas raisonnable pour l'application du paragraphe *e* de l'article 39 ou de l'article 40 de la Loi sur les impôts et, dans le cas où la personne est une société de personnes dont le particulier est un associé, comme une allocation qui n'aurait pas été raisonnable pour l'application du paragraphe *e* de l'article 39 ou de l'article 40 si l'associé avait été un salarié de la société de personnes à ce moment."

(2) Paragraph 1 and subparagraph *c* of paragraph 2 of subsection 1 have effect from 1 July 1992. However,

(*a*) they do not apply for the purpose of determining any rebate under section 358 of the said Act that was claimed in an application received by the Minister of Revenue before 23 April 1996 or for the purpose of determining any amount granted by the Minister of Revenue before 24 April 1996; and

(*b*) where the formula set out in the first paragraph of section 358 of the said Act, replaced by paragraph 1 of subsection 1, applies to a taxation year that is before the taxation year 1997, it shall be read as follows:

"A × (B – D)."

(3) Subparagraph *a* of paragraph 2 of subsection 1 has effect from 1 April 1997. However, where subparagraph 1 of the second paragraph of section 358 of the said Act, replaced by subparagraph *a* of paragraph 2 of subsection 1, applies for the period from 1 April 1997 to 31 December 1997, it shall be read with "7.5/107.5" replaced by "6.5/106.5".

(4) Subparagraph *b* of paragraph 2 of subsection 1 applies from the taxation year 1998.

617. (1) Section 360.6 of the said Act, enacted by section 310 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**360.6.** For the purposes of subdivision II.1, "long-term lease", in respect of land, means a lease under which continuous possession of the land is provided for a period of at least 20 years or a lease that contains an option to purchase the land."

(2) Subsection 1 has effect from 15 September 1992. However, section 360.6 of the said Act, replaced by subsection 1, shall be read as follows for the purpose of determining any amount granted by the Minister of Revenue before 24 April 1996 and of determining any amount claimed, in an application under Division I of Chapter VII of Title I of the said Act received by the Minister of Revenue before 23 April 1996, or as a deduction, in respect of any adjustment, refund or credit under section 447 of the said Act, in a return under Chapter VIII of Title I of the said Act received by the Minister of Revenue before 23 April 1996:

"**360.6.** For the purposes of subdivision II.1, "long-term lease" in respect of land means a lease of the land that has a term of at least 20 years or a lease that contains an option to purchase the land."

618. (1) Section 362.3 of the said Act, enacted by section 313 of chapter 1 of the statutes of 1995, is amended by replacing subparagraph 2 of the first paragraph by the following subparagraph:

"(2) where the total consideration is more than $175,000 but less than $200,000, the amount determined by the formula

$$[\ \$4{,}937 \times \left(\frac{\$200{,}000 - C}{\$25{,}000}\right)\ ] + B."$$

(2) Subsection 1, where it amends subparagraph 2 of the first paragraph of section 362.3 of the said Act for the purpose of replacing $4,278 by $4,937, applies in respect of a taxable supply by way of sale of a single unit residential complex or a residential unit held in co-ownership if the agreement in writing for the supply is entered into after 31 December 1997 and ownership and possession under the agreement are transferred after that date.

619. (1) Section 362.4 of the said Act, enacted by section 313 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**362.4.** A rebate under section 362.2 shall not be paid to an individual in respect of a single unit residential complex or residential unit held in co-ownership unless the individual files an application for the rebate within two years after the day ownership of the complex or unit was transferred to the individual."

(2) Subsection 1 has effect in respect of any rebate with respect to a residential complex ownership of which is transferred after 30 June 1996 to the applicant for the rebate.

620. (1) Section 366 of the said Act, amended by section 314 of chapter 1 of the statutes of 1995, is again amended by replacing paragraph 2 by the following paragraph:

"(2) the individual, within two years after the day ownership of the complex or unit was transferred to the individual under the agreement for the supply, submits to the builder, in the manner prescribed by the Minister, an application in prescribed form containing prescribed information for the rebate to which the individual would be entitled under section 362.2 in respect of the complex or unit if the individual applied therefor within the time allowed for such an application;".

(2) Subsection 1 has effect in respect of any rebate with respect to a residential complex ownership of which is transferred after 30 June 1996 to the applicant for the rebate.

621. (1) Section 370.0.1 of the said Act, enacted by section 318 of chapter 1 of the statutes of 1995, is amended

(1) by replacing the portion before paragraph 2 by the following:

"**370.0.1.** Subject to section 370.0.3, a particular individual who receives from a builder of a residential complex that is a single unit residential complex or a residential unit held in co-ownership a supply referred to in paragraph 1 is entitled to a rebate determined in accordance with section 370.0.2 if

(1) under an agreement entered into between the builder of a single unit residential complex or a residential unit held in co-ownership and the particular individual, the builder makes to the particular individual

(*a*) one or more exempt supplies under a long-term lease of, or by way of an assignment of a long-term lease of, the land attributable to the complex, and

(*b*) an exempt supply by way of sale of the building or part thereof in which the residential unit forming part of the complex is situated;";

(2) by replacing paragraph 3 by the following paragraph:

"(3) at the time possession of the complex is given to the particular individual under the agreement, the fair market value of the complex is less than $230,050;";

(3) by adding the following paragraph:

"This section does not apply where the builder of a residential complex is not required, because of an Act of the Legislature of Québec, other than this Act, or an Act of the Parliament of Canada or any other rule of law, to pay or remit the tax that the builder is deemed to have paid and collected under section 223 in respect of a supply of the complex deemed to have been made under that section."

(2) The portion of subsection 1 that replaces the portion of section 370.0.1 of the said Act before subparagraph 2 of the first paragraph has effect in respect of any application filed with the Minister of Revenue after 22 April 1996. However, in respect of such an application filed before 1 April 1997, the portion of section 370.0.1 of the said Act before subparagraph *b* of subparagraph 1 of the first paragraph, replaced by subsection 1, shall be read as follows:

"**370.0.1.** Subject to section 370.0.3, a particular individual who receives from a builder of a residential complex that is a single unit residential complex or a residential unit held in co-ownership an exempt supply referred to in paragraph 1 is entitled to a rebate determined in accordance with section 370.0.2 if

(1) under an agreement entered into between the builder of a single unit residential complex or a residential unit held in co-ownership and the particular individual, the builder makes an exempt supply to the particular individual

(*a*) under a long-term lease of, or by way of an assignment of a long-term lease of, the land attributable to the complex, and".

(3) The portion of subsection 1 that replaces subparagraph 3 of the first paragraph of section 370.0.1 of the said Act applies in respect of a supply of a single unit residential complex or a residential unit held in co-ownership in the course of which the residential unit is sold and the land is leased under a

long-term lease if the agreement in writing for the supply is entered into after 31 December 1997 and possession under the agreement is transferred after that date.

(4) The portion of subsection 1 that adds the second paragraph of section 370.0.1 of the said Act has effect from 1 July 1992. However, that paragraph does not apply in respect of a rebate for which an application was received by the Minister of Revenue before 23 April 1996 or in respect of a rebate allowed by the Minister of Revenue before 24 April 1996.

622. (1) Section 370.0.2 of the said Act, enacted by section 318 of chapter 1 of the statutes of 1995, is amended

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

"(1) where the fair market value referred to in subparagraph 3 of the first paragraph of section 370.0.1 is not more than $201,294, the amount determined by the formula

$$[2.46\% \times (A - B)] + (7.5\% \times B);";$$

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

"(2) where the fair market value referred to in subparagraph 3 of the first paragraph of section 370.0.1 is more than $201,294 but less than $230,050, the amount determined by the formula

$$\{[2.46\% \times (A - B)] \times [\left(\frac{\$230,050 - C}{\$28,756}\right)]\} + (7.5\% \times B);";$$

(3) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the total of all amounts each of which is the consideration payable to the builder by the particular individual for the supply by way of sale to the particular individual of the building or part of a building referred to in subparagraph 1 of the first paragraph of section 370.0.1 or of any other structure that forms part of the complex, other than consideration that can reasonably be regarded as rent for the supplies of the land attributable to the complex or as consideration for the supply of an option to purchase that land;";

(4) by replacing the third paragraph by the following paragraph:

"For the purposes of this section, the amount obtained by multiplying 2.46% by the difference between A and B shall not exceed $4,937."

(2) The portion of subsection 1 that replaces subparagraphs 1 and 2 of the first paragraph and the third paragraph of section 370.0.2 of the said Act applies in respect of a supply of a single unit residential complex or a residential unit held in co-ownership in the course of which the residential unit is sold and the land is leased under a long-term lease if the agreement in writing for the supply is entered into after 31 December 1997 and possession under the agreement is transferred after that date.

(3) The portion of subsection 1 that replaces subparagraph 1 of the second paragraph of section 370.0.2 of the said Act has effect from 1 April 1997.

623. (1) Section 370.0.3 of the said Act, enacted by section 318 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**370.0.3.** A rebate under section 370.0.1 shall not be paid to an individual in respect of a residential complex unless the individual files an application for the rebate within two years after the day ownership of the complex was transferred to the individual."

(2) Subsection 1 has effect in respect of any rebate with respect to a residential complex possession of which is transferred after 30 June 1996 to the applicant for the rebate.

624. (1) Section 370.1 of the said Act, replaced by section 319 of chapter 1 of the statutes of 1995, is amended by replacing paragraph 1 by the following paragraph:

"(1) the individual, within two years after the day possession of the complex is transferred to the individual under the agreement for the supply, submits to the builder, in the manner prescribed by the Minister, an application in prescribed form containing prescribed information for the rebate to which the individual would be entitled under section 370.0.1 in respect of the complex if the individual applied for it within the time allowed for such an application; and".

(2) Subsection 1 has effect in respect of any rebate with respect to a residential complex possession of which is transferred after 30 June 1996 to the applicant for the rebate.

625. (1) Section 370.3.1 of the said Act, enacted by section 322 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**370.3.1.** An individual who is not entitled to a rebate under section 370.0.1 in respect of a residential complex because the fair market value of the residential complex is $230,050 or more, but who is entitled to a rebate under subsection 2 of section 254.1 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex, is entitled to a rebate of 7.5% of the amount of the rebate to which the individual is entitled in respect of the residential complex under subsection 2 of the said section 254.1."

(2) Subsection 1 applies in respect of any supply of a single unit residential complex or a residential unit held in co-ownership in the course of which the residential unit is sold and the land is leased under a long-term lease if the agreement in writing for the supply is entered into after 31 December 1997 and possession under the agreement is transferred after that date.

626. (1) Section 370.5 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is amended by replacing subparagraph 4 of the first paragraph by the following subparagraph:

"(4) the total (in this section and in sections 370.6 and 370.8 referred to as the "total consideration") of all amounts, each of which is the consideration payable for the supply to the particular individual of the share in the corporation or an interest in the complex or unit, is less than $230,050;".

(2) Subsection 1 applies in respect of a supply of a share of the capital stock of a cooperative housing corporation if the corporation has paid tax at the rate of 7.5% in respect of the taxable supply of the housing complex in respect of which the supply of the share is made.

627. (1) Section 370.6 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is amended

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

"(1) where the total consideration is not more than $201,294, the amount determined by the formula

$$[2.46\% \times (A - B)] + (7.5\% \times B);$$ and";

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

"(2) where the total consideration is more than $201,294 but less than $230,050, the amount determined by the formula

$$[\$4{,}937 \times \left(\frac{\$230{,}050 - A}{\$28{,}756}\right)] + (7{,}5\% \times B).";$$

(3) by replacing the third paragraph by the following paragraph:

"For the purposes of this section, the amount obtained by multiplying 2.46% by the difference between A and B shall not exceed $4,937."

(2) Subsection 1 applies in respect of a supply of a share of the capital stock of a cooperative housing corporation if the corporation has paid tax at the rate of 7.5% in respect of the taxable supply of the housing complex in respect of which the supply of the share is made.

628. (1) Section 370.7 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**370.7.** A rebate under section 370.5 shall not be paid to an individual in respect of a share of the capital stock of a cooperative housing corporation unless the individual files an application for the rebate within two years after the day ownership of the share was transferred to the individual."

(2) Subsection 1 applies to any rebate in respect of a share of the capital stock of a cooperative housing corporation ownership of which is transferred after 30 June 1996 to the applicant for the rebate.

629. (1) Section 370.8 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**370.8.** An individual who is not entitled to a rebate under section 370.5 in respect of a share of the capital stock of a cooperative housing corporation because the total consideration is $230,050 or more, but who is entitled to a rebate under subsection 2 of section 255 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the share, is entitled to a rebate of 7.5% of the amount of the rebate to which the individual is entitled in respect of the share under subsection 2 of the said section 255."

(2) Subsection 1 applies in respect of a supply of a share of the capital stock of a cooperative housing corporation if the corporation has paid tax at the rate of 7.5% in respect of the taxable supply of the housing complex in respect of which the supply of the share is made.

630. (1) Section 370.9 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is amended

(1) by replacing the portion before paragraph 1 by the following:

"**370.9.** Subject to section 370.12, a particular individual who constructs or substantially renovates, or engages another person to construct or substantially renovate for the particular individual, a residential complex that is a single unit residential complex or a residential unit held in co-ownership for use as the primary place of residence of the particular individual, an individual related to the particular individual or a former spouse of the particular individual, is entitled to a rebate determined in accordance with section 370.10, if";

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

"(2) the particular individual has paid tax in respect of a supply by way of sale to the individual of the land that forms part of the complex or an interest therein or in respect of a supply to, or bringing into Québec by, the individual of any improvement thereto or, in the case of a mobile home or floating home, of the complex, the total of which tax is referred to in this section and section 370.10 as the "total tax paid by the particular individual"; and".

(2) Paragraph 1 of subsection 1 has effect in respect of any rebate with respect to a residential complex for which an application is filed with the Minister of Revenue after 22 April 1996, except where

(*a*) the residential complex was, at any time after the construction or substantial renovation thereof began and before 23 April 1996, occupied as a place of residence or lodging;

(*b*) the construction or substantial renovation of the residential complex was substantially completed before 23 April 1996; or

(*c*) the applicant, before 23 April 1996, transferred ownership of the residential complex to a recipient of a supply by way of sale of the complex.

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997.

631. (1) The said Act is amended by inserting, after section 370.9, the following section:

"**370.9.1.** Where an individual acquires an improvement in respect of a residential complex that the individual is constructing or substantially renovating and tax in respect of the improvement becomes payable by the individual more than two years after the day the complex is first occupied as described in subparagraph *a* of paragraph 3 of section 370.9, that tax shall not be included under paragraph 2 of section 370.9 in determining the total tax paid by the individual."

(2) Subsection 1 has effect in respect of any rebate with respect to a residential complex for which an application is filed with the Minister of Revenue after 22 April 1996, except where

(*a*) the residential complex was, at any time after the construction or substantial renovation thereof began and before 23 April 1996, occupied as a place of residence or lodging;

(*b*) the construction or substantial renovation of the residential complex was substantially completed before 23 April 1996; or

(*c*) the applicant, before 23 April 1996, transferred ownership of the residential complex to a recipient of a supply by way of sale of the complex.

632. (1) Section 370.10 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is amended

(1) by replacing the portion before subparagraph 1 of the first paragraph by the following:

"**370.10.** For the purposes of section 370.9, the rebate to which a particular individual is entitled in respect of the construction or substantial

renovation of a single unit residential complex or a residential unit held in co-ownership is equal to";

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

"For the purposes of this section, the amount obtained by multiplying 36% by the difference between A and B shall not exceed $4,937."

(2) Subsection 1 applies

(*a*) in respect of a taxable supply made under an agreement in writing for the construction or substantial renovation of a single unit residential complex or a residential unit held in co-ownership if the agreement in writing is entered into after 31 December 1997;

(*b*) in respect of an acquisition of property or a service made by an individual in the course of the construction or substantial renovation of a single unit residential complex or a residential unit held in co-ownership that is carried out by the individual if the property or service is acquired after 31 December 1997.

633. (1) Section 370.11 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is replaced by the following section:

"**370.11.** For the purposes of section 370.9, a particular individual is deemed to have constructed a mobile home or floating home and to have substantially completed the construction immediately before the earlier of the times referred to in paragraph 3, if

(1) the particular individual brings into Québec or receives a supply by way of sale of a mobile home or floating home that has never been used or occupied by any individual as a place of residence or lodging and does not file with the Minister, or submit to the supplier, an application for a rebate in respect of the home under subdivision II or II.1;

(2) the particular individual is acquiring or bringing into Québec the mobile home or floating home for use as the primary place of residence of the particular individual, an individual related to the particular individual or a former spouse of the particular individual; and

(3) the first individual to occupy the mobile home or floating home at any time is the particular individual, an individual related to the particular individual or a former spouse of the particular individual, or the particular individual at any time transfers ownership of the home under an agreement for an exempt supply by way of sale of the home.

In the case of a mobile home or floating home brought into Québec by the individual, any occupation or use of the home outside Québec is deemed not to be occupation or use of the home."

(2) Subsection 1 has effect from 1 April 1997.

634. (1) Section 370.12 of the said Act, enacted by section 323 of chapter 1 of the statutes of 1995, is amended

(1) by replacing paragraph 1 by the following:

"(1) the day that is two years after the day the complex is first occupied as described in subparagraph *a* of paragraph 3 of section 370.9;";

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

"(1.1) the day ownership of the complex is transferred as described in subparagraph *b* of paragraph 3 of section 370.9; and".

(2) Subsection 1 has effect in respect of any rebate with respect to a residential complex for which an application is filed with the Minister of Revenue after 22 April 1996, except where

(*a*) the residential complex was, at any time after the construction or substantial renovation thereof began and before 23 April 1996, occupied as a place of residence or lodging;

(*b*) the construction or substantial renovation of the residential complex was substantially completed before 23 April 1996; or

(*c*) the applicant, before 23 April 1996, transferred ownership of the residential complex to a recipient of a supply by way of sale of the complex.

635. (1) Sections 378.3, 379 and 380 of the said Act are replaced by the following sections:

"**378.3.** A rebate shall not be paid under section 378.1 to a landlord in respect of a supply of the land made to a person who will be deemed under any of sections 222.1 to 222.3 and 223 to 231.1 to have made on a particular day another supply of the immovable that includes the land, unless the landlord files an application for the rebate on or before the day that is two years after the particular day.

"**379.** Subject to section 380, a person who is not a registrant and who makes a taxable supply by way of sale of an immovable is entitled to a rebate equal to the lesser of

(1) the basic tax content of the immovable at the time of the supply; and

(2) the tax that is or would, but for sections 75.1 and 80, be payable in respect of the taxable supply.

"**380.** A rebate under section 379 shall not be paid to a person in respect of a supply by way of sale of an immovable by the person unless the person files an application for the rebate within two years after the day the consideration for the supply became due or was paid without having become due."

(2) The portion of subsection 1 that replaces section 378.3 of the said Act has effect in respect of any rebate with respect to land a supply of which is deemed to have been made, after 30 June 1996, under any of sections 222.1 to 222.3 and 223 to 231.1.

(3) The portion of subsection 1 that replaces section 379 of the said Act has effect in respect of supplies of an immovable made after 31 March 1997.

(4) The portion of subsection 1 that replaces section 380 of the said Act has effect in respect of any rebate with respect to a supply of an immovable for which all of the consideration becomes due after 30 June 1996 or is paid after 30 June 1996 without having become due.

636. (1) The said Act is amended by inserting, after section 380, the following section:

"**380.1.** Where, for the purpose of satisfying in whole or in part a debt or obligation owing by a person (in this section referred to as the "debtor"), a creditor exercises a right under an Act of the Legislature of Québec, another province, the Northwest Territories or the Yukon Territory or of the Parliament of Canada or an agreement relating to a debt security to cause the supply of an immovable and, under the Act or the agreement, the debtor has a right to redeem the immovable, the following rules apply:

(1) the debtor is not entitled to claim a rebate under section 379 in respect of the immovable unless the time limit for redeeming the immovable has expired and the debtor has not exercised the debtor's right of redemption; and

(2) where the debtor is entitled to claim the rebate, consideration for the supply is deemed, for the purposes of section 380, to have become due on the day on which the time limit for redeeming the immovable expires."

(2) Subsection 1 has effect from 24 April 1996.

637. (1) Section 383 of the said Act, amended by section 439 of chapter 63 of the statutes of 1995, is again amended

(1) by striking out the definition of "municipality";

(2) in the definition of "selected public service body",

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

"(3) a public college that is established and operated otherwise than for profit;";

(*b*) by striking out paragraph 4;

(3) by replacing the definition of "claim period" by the following:

""claim period" of a person at any time means

(1) where the person is a registrant at that time, the reporting period of the person that includes that time; and

(2) in any other case, the period that includes that time and consists of either

(*a*) the first and second fiscal quarters in a fiscal year of the person, or

(*b*) the third and fourth fiscal quarters in a fiscal year of the person;";

(4) in the definition of "non-refundable input tax charged",

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

"(*b*) tax deemed under sections 209, 223 to 231.1, 275, 323.1, 341.1 and 341.7 to have been collected during the period by the person in respect of the property or service,";

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

"(*b*.1) where the person is not a charity to which section 433.2 applies, tax deemed under section 323.2 or 323.3 to have been collected during the period by the person in respect of the property or service,";

(*c*) by replacing subparagraph *d* of paragraph 1 by the following subparagraph:

"(*d*) tax deemed under section 212 to have been paid during the period by the person in respect of the property or service, or";

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

"(2) the total of all amounts each of which is included in the total determined under paragraph 1 and is included in determining an input tax refund of the person in respect of the property or service for the period, or for which it can reasonably be regarded the person has obtained or is entitled to obtain a rebate, refund or remission under any other section of this Act or under any other Act;".

(2) Paragraph 1 and subparagraph *b* of paragraph 2 of subsection 1 have effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the

case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, those provisions have effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

(3) Subparagraph *a* of paragraph 2 of subsection 1 has effect for the purpose of determining rebates under sections 383 to 397 of the said Act, enacted by paragraph 3 and subparagraphs *a* and *b* of paragraph 4 of subsection 1 and sections (*insert the section number in this Act that amends section 386 of the said Act*) to (*insert the section number in this Act that enacts section 386.2 of the said Act*), in respect of non-refundable input tax charged for claim periods beginning after 23 April 1996.

(4) Paragraph 3 of subsection 1 has effect from 1 July 1992. However, where the definition of "claim period" in section 383 of the said Act, enacted by paragraph 3 of subsection 1, has effect for the purpose of determining claim periods of the person in fiscal years of the person beginning before 1 January 1997, it shall be read as follows:

""claim period" of a person at any time means

(1) where the person is a registrant at that time, the reporting period of the person that includes that time; and

(2) in any other case, the fiscal quarter of the person that includes that time;".

(5) Subparagraphs *a* and *b* of paragraph 4 of subsection 1 have effect in respect of tax deemed to have been collected by a registrant during reporting periods of the registrant beginning after 31 December 1996. However, where subparagraph *b* of paragraph 1 of the definition of "non-refundable input tax charged" in section 383 of the said Act, replaced by subparagraph *a* of paragraph 4 of subsection 1, has effect in respect of tax that became payable or that is deemed to have been collected before 1 April 1997, it shall be read as follows:

"(*b*) tax deemed under sections 209, 223 to 231.1, 243, 273, 275, 323.1, 341.1 and 341.7 to have been collected during the period by the person in respect of the property or service,".

(6) Subparagraph *c* of paragraph 4 of subsection 1 has effect from 1 July 1992.

(7) Subparagraph *d* of paragraph 4 of subsection 1 has effect for the purpose of determining rebates under sections 383 to 397 of the said Act, enacted by paragraph 3 and subparagraphs *a* and *b* of paragraph 4 of subsection 1 and sections (*insert the section number in this Act that amends section 386 of the said Act*) to (*insert the section number in this Act that enacts section 386.2 of the said Act*), in respect of non-refundable input tax charged for claim periods beginning after 31 December 1996.

638. (1) Section 386 of the said Act, amended by section 440 of chapter 63 of the statutes of 1995 and by section 344 of chapter 14 of the statutes of 1997, is again amended

(1) by replacing the portion before subparagraph 1 of the first paragraph by the following:

"**386.** Subject to sections 386.2 and 387, a person who, on the last day of a claim period of the person or of the fiscal year of the person that includes that claim period, is a selected public service body, a charity or a qualifying non-profit organization, is entitled to a rebate for the claim period equal to one of the following percentages, as the case may be, of the non-refundable input tax charged in respect of property or a service, other than a prescribed property or service:";

(2) by striking out subparagraph 2 of the first paragraph;

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

"This section does not apply

(1) to a person who is a prescribed registrant for the purposes of section 279;

(2) to a person who is a qualifying non-profit organization, in respect of activities that involve the making of supplies referred to in sections 162 to 165 and 167;

(3) to a person who is a qualifying non-profit organization, other than a selected public service body, in respect of activities that involve the making of supplies referred to in sections 154 and 161 where those supplies are intended for clients belonging to a territory under the jurisdiction of a local municipality or regional municipality within the meaning assigned to those expressions by section 139."

(2) Paragraph 1 of subsection 1 has effect in respect of a rebate for which an application was received by the Minister of Revenue after 23 April 1996 or any amount granted by the Minister of Revenue after that date. However, in the case of a person who is a municipality, paragraph 1 of subsection 1 has effect in respect of such a rebate or such an amount with respect to the following property and services:

(*a*) property or a service acquired or brought into Québec under an agreement entered into before 1 January 1997; and

(*b*) in the case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, property or a service invoiced for a regular period beginning before 1 January 1997.

(3) Paragraph 2 of subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, paragraph 2 of subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

(4) Subject to subsection 5, paragraph 3 of subsection 1 has effect in respect of

(*a*) property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996;

(*b*) in the case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, property or a service invoiced for a regular period beginning after 31 December 1996.

(5) In respect of property or a service acquired or brought into Québec after 31 December 1996 and before 25 March 1997, the second paragraph of section 386 of the said Act, replaced by paragraph 3 of subsection 1, shall be read as follows:

"This section does not apply to a person who is a prescribed registrant for the purposes of section 279."

639. (1) Section 386.1 of the said Act is repealed.

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996.

However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire, pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

In addition, where the portion of section 386.1 of the said Act before the formula set out in the first paragraph, repealed by subsection 1, has effect in respect of claim periods ending after 30 June 1992, it shall be read as follows:

"**386.1.** Subject to sections 386.2 and 387, a person who, on the last day of a claim period of the person or of the fiscal year of the person that includes that claim period, is designated, for the purposes of this subdivision, to be a municipality in respect of activities (in this section referred to as "designated activities") specified in the designation, is entitled to a rebate in respect of property or a service, other than a prescribed property or service, equal to the amount determined by the formula".

640. (1) The said Act is amended by inserting, after section 386.1, the following section:

"**386.2.** Where a person is a charity, a public institution, other than a local authority that is a municipality for the purposes of paragraph 2 of the definition of "municipality" in section 1, or a qualifying non-profit organization, and a selected public service body, the rebate, if any, payable to the person under section 386 in respect of property or a service for a claim period is equal to the total of

(1) 50% of the non-refundable input tax charged in respect of the property or service for the claim period; and

(2) the total of amounts each of which is an amount determined by the formula

$$A \times B \times C.$$

For the purposes of this formula,

(1) A is the percentage prescribed in section 386 applicable to a selected public service body described in whichever of paragraphs 1 to 4 of the definition of that expression in section 383 applies to the person;

(2) B is an amount that is included in the total tax charged in respect of the property or service for the claim period and that is

(*a*) the amount of tax in respect of a supply of property made to the person, or a bringing into Québec of the property by the person, at any time;

(*b*) an amount deemed to have been paid or collected, at any time, by the person;

(*c*) an amount that is required to be added under sections 341.2 and 341.3 in determining the net tax of the person because a division or branch of the person becomes a small supplier division at any time; or

(*d*) an amount that is required to be added under paragraph 2 of section 210 in determining the net tax of the person because the person ceases, at any time, to be a registrant; and

(3) C is the extent, expressed as a percentage, to which the person intended, at that time, to consume, use or supply the property or service in the course of activities engaged in by the person in the course of operating a hospital centre or public hospital, an elementary or secondary school, a post-secondary college or post-secondary technical institute, a recognized degree-granting institution or a college affiliated with, or research institute of, such an institution, as the case may be."

(2) Subsection 1 has effect

(*a*) from 1 July 1992, in the case of a person who is designated by the Minister of Revenue to be a municipality for the purposes of sections 383 to 397, in respect of the following property and services:

i. property or a service acquired or brought into Québec under an agreement entered into before 1 January 1997, and

ii. in the case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, property or a service invoiced for a regular period beginning before 1 January 1997; and

(*b*) in any other case, in respect of a rebate for which an application was received by the Minister of Revenue after 23 April 1996 or any amount granted by the Minister of Revenue after that date, except that, in the case of a person who is a municipality, subsection 1 has effect only in respect of the following property and services:

i. property or a service acquired or brought into Québec under an agreement entered into before 1 January 1997; and

ii. in the case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, property or a service invoiced for a regular period beginning before 1 January 1997.

(3) Where the portion of section 386.2 of the said Act before subparagraph 1 of the first paragraph, enacted by subsection 1, has effect in respect of claim periods ending before 1 January 1997, it shall be read without reference to the words ", a public institution, other than a local authority that is a municipality for the purposes of paragraph 2 of the definition of "municipality" in section 1,".

(4) Subject to subsection 5, where the portion of section 386.2 of the said Act after subparagraph 1 of the first paragraph, enacted by subsection 1, has effect in respect of tax that becomes payable or is deemed to have been collected before 1 April 1997, it shall be read as follows:

"(2) the amount determined by the formula

$$A \times B \times C.$$

For the purposes of this formula,

(1) A is the non-refundable input tax charged;

(2) B is the percentage prescribed in section 386 applicable to a selected public service body described in whichever of paragraphs 1 to 4 of the definition of that expression in section 383 applies to the person; and

(3) C is

(*a*) where the property was acquired by way of lease, licence or similar arrangement by the person for consideration that includes two or more periodic payments that are attributable to successive parts (each of which is in this section referred to as a "lease interval") of the period for which possession or use of the property is provided under the arrangement and an amount calculated on such a periodic payment is included in the total tax charged in respect of the property for the claim period, the extent, expressed as a percentage, to which the person intended, at the beginning of the lease interval to which the periodic payment is attributable, to use the property in the course of the designated activities,

(*b*) where the service is supplied to the person for consideration that includes two or more payments, each of which is attributable to particular services rendered under the agreement for the supply, and at a particular time during the claim period tax calculated on a particular payment becomes payable, or is paid without having become payable, by the person and is included in the total tax charged in respect of the service for the claim period, the extent, expressed as a percentage, to which the person had, before the particular time, consumed, used or supplied the particular services to which the particular payment is attributable, or intended at the particular time to consume, use or supply those particular services, in the course of the designated activities, and

(*c*) in any other case, the extent, expressed as a percentage, to which the person intended, at the time the property or service was acquired or brought into Québec by the person, to consume, use or supply the property or service in the course of the designated activities.

The activities engaged in by a person in the course of operating a hospital centre or public hospital, an elementary or secondary school, a post-secondary college or post-secondary technical institute, a recognized degree-granting institution or a college affiliated with, or research institute of, such an institution, as the case may be, are the designated activities referred to in subparagraph 3 of the second paragraph."

(5) Where the third paragraph of section 386.2 of the said Act has effect, in the case of a person who is a municipality or who is designated by the Minister of Revenue to be a municipality for the purposes of sections 383 to 397, in respect of property or a service acquired or brought into Québec under an agreement entered into before 1 January 1997 or, in the case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, property or a service invoiced for a regular period beginning before 1 January 1997, it shall be read as follows:

"The designated activities referred to in subparagraph 3 of the second paragraph are

(1) in the case of a person who is a municipality for the purposes of paragraph 2 of the definition of "municipality" in section 1, the activities engaged in by the person in the course of fulfilling the person's responsibilities as a local authority; or

(2) the activities engaged in by a person in the course of operating a hospital centre or public hospital, an elementary or secondary school, a post-secondary college or post-secondary technical institute, a recognized degree-granting institution or a college affiliated with, or research institute of, such an institution, as the case may be."

641. (1) Section 387 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**387.** A person referred to in section 386 is not entitled to a rebate under that section in respect of non-refundable input tax charged for a claim period of the person unless the person files an application for the rebate after the first day in the fiscal year that the person is a selected public service body, charity or qualifying non-profit organization and within four years after the day that is".

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire, pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

642. (1) Section 388.1 of the said Act, amended by section 361 of chapter 1 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**388.1.** A prescribed municipality is entitled to compensation, paid by the Minister at the prescribed time, in an amount equal to the amount prescribed for the years 1992 to 1996."

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire, pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

643. (1) Section 388.2 of the said Act, enacted by section 345 of chapter 14 of the statutes of 1997, is amended by replacing the first paragraph by the following paragraph:

"**388.2.** The municipalities of Montréal and Québec are entitled, in respect of a year that begins after 1996, to compensation paid by the Minister before 30 June each year."

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire, pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

644. (1) Section 389 of the said Act is replaced by the following section:

"**389.** A prescribed person may determine, in accordance with prescribed rules, the rebates to which the person is entitled under sections 383 to 388 and 394 to 397."

(2) Subsection 1 applies for the purpose of determining rebates under sections 383 to 397 of the said Act, amended by paragraph 3 and subparagraphs *a* and *b* of paragraph 4 of subsection 1 of section (*insert the section number in this Act that amends section 383 of the said Act*) and by sections (*insert the section number in this Act that amends section 386 of the said Act*) to (*insert the section number in this Act that enacts section 386.2 of the said Act*), in respect of non-refundable input tax charged for claim periods beginning after 23 April 1996.

However, where section 389 of the said Act, replaced by subsection 1, has effect from 1 July 1992, for the purpose of determining those rebates in respect of non-refundable input tax charged for claim periods beginning before 24 April 1996, it shall be read as follows:

"**389.** A prescribed person may make an election to determine, in accordance with prescribed rules, the rebates to which the person is entitled under sections 383 to 388 and 391 to 397 in respect of non-refundable input tax charged in respect of property or a service for a claim period during which the election is in effect."

645. (1) Sections 391 to 393 of the said Act are repealed.

(2) Subsection 1 applies for the purpose of determining rebates under sections 383 to 397 of the said Act, amended by paragraph 3 and subparagraphs *a* and *b* of paragraph 4 of subsection 1 of section (*insert the section number in this Act that amends section 383 of the said Act*) and by sections (*insert the section number in this Act that amends section 386 of the said Act*) to (*insert the section number in this Act that enacts section 386.2 of the said Act*), in respect of non-refundable input tax charged for claim periods beginning after 23 April 1996.

646. (1) Section 394 of the said Act is replaced by the following section:

"**394.** Where a particular selected public service body described in any of the paragraphs of the definition of the expression in section 383 acquires or brings into Québec property or a service primarily for consumption, use or supply in the course of activities engaged in by another body described in any other of those paragraphs, for the purpose of determining the amount of a rebate under section 386 to the body in respect of the non-refundable input tax charged in respect of the property or service for any claim period of the body, the body is deemed to be engaged in those activities."

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire, pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

647. (1) Section 395 of the said Act is replaced by the following section:

"**395.** Where a person acquires or brings into Québec property or a service primarily for consumption, use or supply in the course of activities engaged in by the person acting in the capacity of a selected public service body described in any of the paragraphs of the definition of the expression in section 383, the amount of any rebate under section 386 to the person in respect of the non-refundable input tax charged in respect of the property or service for a claim period of the person shall be determined as if the person were not a selected public service body described in any other of those paragraphs."

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire, pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

648. (1) Section 396 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**396.** Where a person who is entitled to a rebate under section 386 is engaged in one or more activities in separate divisions or branches and is authorized under section 475 to file separate returns under Chapter VIII in relation to a division or branch, the person".

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire,

pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

649. (1) Section 397 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**397.** Where a person who has not made an application under section 474 is entitled to a rebate under section 386 and is engaged in one or more activities in separate divisions or branches,".

(2) Subsection 1 has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available, as the case may be, on a continuous basis by means of a wire, pipeline or other conduit, subsection 1 has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

650. (1) Sections 398 and 399 of the said Act are replaced by the following sections:

"**398.** Subject to section 399, where a person that is a charity or a public institution is the recipient of a supply of property or a service, has paid tax in respect of the supply and has taken or shipped the property or service outside Québec, the person is entitled to a rebate of the tax paid in respect of the supply.

"**399.** A person is entitled to a rebate under section 398 in respect of a supply of property or a service only if the person files an application for the rebate within four years after the end of the fiscal year of the person in which tax in respect of the supply became payable."

(2) Subsection 1 applies to supplies in respect of which tax becomes payable after 23 April 1996 or is paid after that date without having become due. However, in respect of supplies made before 1 January 1997, section 398 of the said Act, replaced by subsection 1, shall be read without reference to the words "or a public institution".

651. (1) Section 401 of the said Act is replaced by the following section:

"**401.** A person is entitled to a rebate under section 400 in respect of an amount only if the person files an application for the rebate within two years after the day the amount was paid or remitted by the person."

(2) Subsection 1 applies to amounts that, after 30 June 1996, are paid as or on account of, or are taken into account as, tax or other amount payable or remittable under Title I of the said Act and to amounts that, before 1 July 1996, were paid as or on account of, or were taken into account as, tax or other amount payable or remittable under that Title, other than amounts that are

claimed in an application under sections 400 to 402.0.2 of the said Act filed before 1 July 1998.

652. (1) Section 408 of the said Act is replaced by the following section:

"**408.** Notwithstanding section 407 and subject to subparagraph i of subparagraph *b* of subparagraph 2 of the first paragraph of section 411, a person who is a small supplier who, at any time, applies to the Minister of National Revenue for registration under subsection 3 of section 240 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) shall, at that time, apply to the Minister for registration."

(2) Subsection 1 has effect from 24 April 1996.

653. (1) Section 409 of the said Act is amended by replacing, in the French text of paragraph 1, the word "messager" by the word "messagerie".

(2) Subsection 1 has effect from 1 July 1992.

654. (1) Section 411 of the said Act, amended by section 11 of chapter 47 of the statutes of 1995 and by section 450 of chapter 63 of the statutes of 1995, is again amended

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

"(2) is not resident in Québec and, in the ordinary course of carrying on business outside Québec,

(*a*) regularly solicits orders for the supply of corporeal movable property for shipping or delivery in Québec, or

(*b*) has entered into an agreement for the supply by the person of

i. services to be performed in Québec, other than a supply of a transportation service referred to in the second paragraph,

ii. incorporeal movable property to be used in Québec, or

iii. incorporeal movable property that relates to an immovable situated in Québec, corporeal movable property ordinarily located in Québec or services to be performed in Québec.";

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

"The supply of transportation services referred to in subparagraph i of subparagraph *b* of subparagraph 2 of the first paragraph is a zero-rated supply of a freight transportation service, or a supply of such a service deemed under section 24.2 to have been made outside Québec, made by a person not resident in Québec but resident in Canada."

(2) Subsection 1 has effect from 24 April 1996.

655. (1) Section 411.1 of the said Act is replaced by the following section:

"**411.1.** A person who is a small supplier carrying on a taxi business may file with and as prescribed by the Minister a request, in prescribed form containing prescribed information, to have the registration of the person apply in respect of all commercial activities engaged in by the person in Québec.

Notwithstanding the first paragraph, a person who is a small supplier may not request a variation of registration as provided for therein, unless the person applies to the Minister of National Revenue for registration under section 240 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of all the commercial activities engaged in by the person in Canada.

The Minister may approve the request filed under the first paragraph and shall thereupon notify the person in writing of the date from which the registration applies to all the commercial activities engaged in by the person in Québec.

The variation provided for in this section becomes effective on the date from which the registration under section 240 of that Act applies to all the commercial activities engaged in in Canada by the person."

(2) Subsection 1 has effect from 1 August 1995.

656. (1) Section 417 of the said Act, amended by section 12 of chapter 47 of the statutes of 1995 and by section 453 of chapter 63 of the statutes of 1995, is again amended by replacing subparagraph 1 of the first paragraph by the following subparagraph:

"(1) the person has filed with and as prescribed by the Minister a request, in prescribed form containing prescribed information, to do so; and".

(2) Subsection 1 has effect from 1 August 1995.

657. (1) Section 417.1 of the said Act is replaced by the following section:

"**417.1.** Where a person who is a small supplier carrying on a taxi business files with the Minister in prescribed manner a request, in prescribed form containing prescribed information, to have the registration of the person varied to apply only to that business, the Minister shall so vary the registration.

Notwithstanding the first paragraph, a person who is a small supplier may not request a variation of registration as provided for therein unless the person files with the Minister of National Revenue a request under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) to have the registration of the person apply only in respect of activities in respect of which the person is required to be registered under that Act.

The variation provided for in the first paragraph becomes effective on the date from which the registration under Part IX of the Excise Tax Act applies only in respect of activities in respect of which the person is required to be registered under that Act."

(2) Subsection 1 has effect from 1 August 1995.

658. (1) The said Act is amended by inserting, after section 417.2, the following section:

"**417.3.** Subject to sections 407.2 and 407.3, where a person is a small supplier who, at any time, files a request for variation or cancellation of registration with the Minister of National Revenue under subsection 3.1 of section 240 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) or subsection 2, 2.1 or 2.2 of section 242 of that Act, the person shall, at that time, file such a request with the Minister under section 411.1, 417, 417.1 or 417.2."

(2) Subsection 1 has effect from 1 August 1995.

659. (1) Section 424 of the said Act is amended by replacing the second paragraph by the following paragraph:

"For the purposes of this section, "continuous outbound freight movement" and "shipper" have the same meanings as in Division VII of Chapter IV."

(2) Subsection 1 has effect from 1 July 1992.

660. (1) Section 430 of the said Act is replaced by the following section:

"**430.** An amount shall not be included in the total for B in the formula set out in section 428 for a particular reporting period of a person to the extent that the amount was claimed or included as an input tax refund or deduction in the total for a preceding reporting period of the person."

(2) Subsection 1 has effect from 23 April 1996.

661. (1) The said Act is amended by inserting, after section 430, the following sections:

"**430.1.** Subject to section 430.2, an amount may be included in the total for B in the formula set out in section 428 for a particular reporting period of a person if the person was not entitled to claim the amount in determining the net tax of the person for the preceding period only because the person did not satisfy the requirements of section 201 in respect of the amount before the return for that preceding period was filed.

"**430.2.** For the purposes of section 430.1, where a person is claiming an amount in a return for a particular reporting period and the Minister has not

disallowed the amount as an input tax refund in assessing the amount of any fees, interest and penalties for which the person is liable under this Act for a preceding reporting period, the person shall report in writing to the Minister, on or before the day the return for the particular reporting period is filed, that the person made an error in claiming that amount in determining the net tax of the person for that preceding period.

For the purposes of the first paragraph, where the person does not report the error to the Minister at least three months before the expiration of the time limited by the second paragraph of section 25 of the Act respecting the Ministère du Revenu (chapter M-31) for assessing the amount of any fees, interest and penalties for which the person is liable for that preceding period, the person shall, on or before the day the return for the particular reporting period is filed, pay the amount and any interest and penalties payable to the Minister.

"**430.3.** An amount shall not be included in the total for B in the formula set out in section 428 for a reporting period of a person to the extent that, before the end of the period, the amount was refunded to the person under this Act or any other Act of the Legislature of Québec or was remitted to the person under the Act respecting the Ministère du Revenu (chapter M-31)."

(2) Subsection 1 has effect from 23 April 1996.

662. (1) Section 431 of the said Act is replaced by the following section:

"**431.** An input tax refund of a person for a particular reporting period of the person shall not be claimed by the person unless it is claimed in a return under this chapter filed by the person on or before the day that is

(1) where the person is a specified person during the particular reporting period,

(*a*) if the input tax refund is in respect of property or a service supplied to the person by a supplier who did not, before the end of the particular reporting period, charge the tax in respect of the supply that became payable during the particular reporting period and the person pays that tax after the end of the particular reporting period and before the input tax refund is claimed, the earlier of

i. the day on or before which the return under this chapter is required to be filed for the last reporting period of the person that ends within two years after the end of the person's fiscal year in which the supplier charges that tax to the person, and

ii. the day on or before which the return under this chapter is required to be filed for the last reporting period of the person that ends within four years after the end of the particular reporting period;

(*b*) if the input tax refund was claimed in a return under this chapter filed, the day on or before which the return under this chapter is required to be filed for the last reporting period of the person that ends within two years after the end of the person's fiscal year that includes the particular reporting period, by another person who was not entitled to claim it and the person has paid the tax payable in respect of the acquisition or bringing into Québec of the property or service, the day on or before which the return under this chapter is required to be filed for the last reporting period of the person that ends within four years after the end of the particular reporting period; and

(*c*) in any other case, the day on or before which the return under this chapter is required to be filed for the last reporting period of the person that ends within two years after the end of the person's fiscal year that includes the particular reporting period;

(2) where the person is not a specified person during the particular reporting period, the day on or before which the return under this chapter is required to be filed for the last reporting period of the person that ends within four years after the end of the particular reporting period; or

(3) where the input tax refund is in respect of property or a service supplied to the person by a supplier who did not, before the end of the last reporting period of the person that ends within four years after the end of the particular reporting period, charge the tax in respect of the supply that became payable during the particular reporting period and the supplier discloses in writing to the person that the Minister has sent a notice of assessment to the supplier for that tax, and the person pays that tax after the end of that last reporting period and before the input tax refund is claimed by the person, the day on or before which the return under this chapter is required to be filed for the reporting period of the person in which the person pays that tax.

For the purposes of this section and section 431.1, the fiscal year of a person is the fiscal year of that person within the meaning of section 458.1."

(2) Subsection 1 has effect in respect of

(*a*) input tax refunds for reporting periods ending after 30 June 1996;

(*b*) input tax refunds for reporting periods ending before 1 July 1996, other than input tax refunds that are claimed in a return under Chapter VIII of Title I of the said Act filed on or before 30 June 1998; and

(*c*) input tax refunds for reporting periods ending before 1 July 1996 that are claimed in a return under Chapter VIII of Title I of the said Act in the circumstances described in subparagraph 3 of the first paragraph of section 431 of the said Act, replaced by subsection 1.

663. (1) The said Act is amended by inserting, after section 431, the following section:

"**431.1.** For the purposes of section 431, a person is a "specified person" during a reporting period of the person if

(1) the person is a financial institution described in the third paragraph during the reporting period; or

(2) the person's threshold amounts, determined in accordance with section 462, exceed $6,000,000 for both the particular fiscal year of the person that includes the reporting period and the person's preceding fiscal year.

The first paragraph does not apply in respect of a person, other than a person who is a financial institution described in the third paragraph during the reporting period, where the person is a charity during the reporting period or all or substantially all of the supplies made by the person during the two fiscal years immediately preceding the particular fiscal year, other than supplies of financial services, are taxable supplies.

The financial institutions to which this section refers are the persons to whom the definition of "listed financial institution" in section 1 applies, including any person related to one or more of those persons, but not including any person to whom paragraphs 3, 8 and 10 of that definition apply."

(2) Subsection 1 has effect from 1 July 1996. However, the reference to "charity" in section 431.1 of the said Act, enacted by subsection 1, shall be read as if the definitions of "charity" and "public institution" in section 1 of the said Act, enacted respectively by paragraphs 18 and 22 of subsection 1 of section (*insert the section number in this Act that amends section 1 of the said Act*) had come into force on that date.

664. (1) The said Act is amended by inserting, before section 434, the following sections:

"**433.1.** For the purposes of sections 433.2 to 433.14, "specified supply" means a taxable supply other than

(1) a supply by way of sale of an immovable or capital property;

(2) a supply deemed under section 212.2, 323.2, 323.3 or 350.6 to have been made; and

(3) a supply to which section 286 or 290 applies.

"**433.2.** Subject to section 433.9, the net tax for a particular reporting period of a charity that is a registrant is the positive or negative amount determined by the formula

A – B.

For the purposes of this formula,

(1) A is the total of

(*a*) 60% of the total of all amounts that became collectible and all other amounts collected by the charity in the particular reporting period as or on account of tax in respect of specified supplies made by the charity;

(*b*) the total of all amounts that became collectible and all other amounts collected by the charity in the particular reporting period as or on account of tax in respect of

i. supplies by way of sale of immovables or capital property made by the charity,

ii. supplies by the charity to which section 286 or 290 applies, and

iii. supplies made by the charity as mandatary for another person and in respect of which the charity has made an election under section 41.0.1;

(*c*) all amounts in respect of supplies of immovables or capital property made by way of sale to the charity that are required under sections 446 and 449 to be added in determining the net tax for the particular reporting period; and

(*d*) the amount required under section 473.5 to be added in determining the net tax for the particular reporting period; and

(2) B is the total of

(*a*) all input tax refunds of the charity for the particular reporting period and preceding reporting periods that are claimed in the return under this chapter filed for the particular reporting period in respect of

i. an immovable acquired by the charity by way of purchase,

ii. movable property acquired or brought into Québec by the charity for use as capital property, and

iii. an improvement to an immovable or capital property of the charity;

(*b*) 60% of the total of all amounts in respect of specified supplies that may be deducted by the charity under section 449 or 455.1 in determining the net tax for the particular reporting period and are claimed in a return under this chapter filed for that reporting period;

(*c*) the total of all amounts in respect of supplies of immovables or capital property made by way of sale by the charity that may be deducted by the

charity under section 444, 449, 455 or 455.1 in determining the net tax of the charity for the particular reporting period and are claimed in the return under this chapter filed for that reporting period; and

(*d*) the total of all amounts each of which is an input tax refund, other than an input tax refund referred to in subparagraph *a* of subparagraph 2 of this paragraph, of the charity, for a preceding reporting period in respect of which this section did not apply for the purpose of determining the net tax of the charity, that the charity was entitled to include in determining its net tax for that preceding reporting period and that is claimed in the return under this chapter filed for the particular reporting period.

"**433.3.** An amount shall not be included in determining the total for A in the formula set out in section 433.2 for a reporting period of a charity to the extent that that amount was included in that total for a preceding reporting period of the charity.

"**433.4.** An amount shall not be included in the total for B in the formula set out in section 433.2 for a particular reporting period of a charity to the extent that the amount was claimed or included as an input tax refund or deduction in that total for a preceding reporting period of the charity.

Notwithstanding the first paragraph and subject to section 433.5, an amount may be included in that total for a particular reporting period of a charity if the charity was not entitled to claim the amount in determining the net tax of the charity for the preceding period only because the charity did not satisfy the requirements of section 201 in respect of the amount before the return for that preceding period was filed.

"**433.5.** For the purposes of section 433.4, where the charity is claiming the amount in a return for the particular reporting period and the Minister has not disallowed the amount as an input tax refund in determining the amount of any fees, interest and penalties for which the charity is liable under this Act for a preceding reporting period, the charity shall report in writing to the Minister, on or before the day the return for the particular reporting period is filed, that the charity made an error in claiming that amount in determining the net tax of the charity for that preceding period.

For the purposes of the first paragraph, where the charity does not report the error to the Minister at least three months before the expiration of the time limited by the second paragraph of section 25 of the Act respecting the Ministère du Revenu (chapter M-31) for determining the amount of any fees, interest and penalties for which the charity is liable under this Act for that preceding period, the charity shall, on or before the day the return for the particular reporting period is filed, pay the amount and any interest and penalties payable to the Minister.

"**433.6.** An amount shall not be included in the total for B in the formula set out in section 433.2 for a reporting period of a charity to the extent

that, before the end of the period, the amount was refunded to the charity under this Act or any other Act of Québec or was remitted to the charity under the Act respecting the Ministère du Revenu (chapter M-31).

"**433.7.** Sections 444 to 457.1 do not apply for the purpose of determining the net tax of a charity in accordance with section 433.2 except as otherwise provided in sections 433.1 to 433.14.

"**433.8.** Where a charity that makes supplies outside Québec, or zero-rated supplies, in the ordinary course of a business or all or substantially all of whose supplies are taxable supplies elects not to determine its net tax in accordance with section 433.2, that section does not apply in respect of any reporting period of the charity during which the election is in effect.

"**433.9.** An election under section 433.8 by a charity shall

(1) be filed in prescribed manner with the Minister in prescribed form containing prescribed information, on or before

(*a*) where the first reporting period of the charity in which the election is in effect is a fiscal year of the charity, the first day of the second fiscal quarter of that year or such later date as the Minister may determine on application of the charity, and

(*b*) in any other case, the day on or before which the return of the charity is required to be filed under this chapter for the first reporting period of the charity in which the election is in effect or on such later day as the Minister may determine on application of the registrant;

(2) set out the day the election is to become effective, which day shall be the first day of a reporting period of the charity; and

(3) remain in effect until a revocation of the election becomes effective.

"**433.10.** An election under section 433.8 by a charity may be revoked, effective on the first day of a reporting period of the charity, provided that that day is not earlier than one year after the election became effective and a notice of revocation of the election in prescribed form containing prescribed information is filed in prescribed manner with the Minister on or before the day on or before which the return under this chapter is required to be filed by the charity for its last reporting period in which the election is in effect.

"**433.11.** Where an election under section 433.8 by a charity becomes effective on a particular day, the second paragraph applies in respect of an amount, for a reporting period ending before that day and that is not claimed in a return for a reporting period ending before that day, that is

(1) an input tax refund; or

(2) in respect of a specified supply and may be deducted by the charity under section 449 or 455.1 in determining the net tax of the charity.

The amount shall not be claimed by the charity in a return for a reporting period ending after that day except to the extent that the charity was entitled to include the amount in determining the total for B in the formula set out in section 433.2 for any reporting period ending before that day.

"**433.12.** Where a charity is a prescribed person for the purposes of section 389 during a reporting period of the charity, any input tax refund that the charity is entitled to claim in a return for that reporting period may be determined according to a prescribed method as if the charity had made a valid election under section 434 that is in effect at all times while the charity is a prescribed person.

"**433.13.** Notwithstanding sections 433.8 to 433.10, where a registrant makes an election under subsection 6 of section 225.1 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) not to determine the net tax of the registrant in accordance with subsection 2 of the said section, the following rules apply:

(1) the registrant is not required to make an election under section 433.8;

(2) the registrant is deemed to have made such an election and the election is deemed

(*a*) to become effective on the day an election under subsection 6 of section 225.1 of the said Act is to become effective and to remain in effect until a revocation of the election becomes effective, and

(*b*) to cease to be in effect on the day on which a revocation of the election under subsection 8 of section 225.1 of the said Act becomes effective.

For the purposes of the first paragraph, the Minister may require that the registrant inform the Minister in prescribed form containing prescribed information and in the manner and within the time prescribed by the Minister of any election under subsection 6 of section 225.1 of the said Act or of any revocation of an election under subsection 8 of section 225.1 of the said Act.

"**433.14.** For the purposes of sections 433.1 to 433.13, the fiscal year of a person is the fiscal year of that person within the meaning of section 458.1."

(2) Subsection 1 applies for the purpose of determining the net tax of a charity in respect of a reporting period beginning after 31 December 1996.

665. (1) Section 434 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**434.** A registrant, other than a charity, who is a prescribed registrant or a member of a prescribed class of registrants may elect to determine the net

tax of the registrant for a reporting period during which the election is in effect by a prescribed method."

(2) Subsection 1 applies for the purpose of determining the net tax of a charity for any reporting period beginning after 31 December 1996. In addition, any election by a charity under section 434 of the said Act that would, but for this section, have been in effect at the beginning of the first reporting period of the charity beginning after 31 December 1996 is deemed to have ceased to have effect immediately before that reporting period.

666. (1) The said Act is amended by inserting, after section 436, the following:

"**436.1.** Sections 444 to 457.1 do not apply for the purpose of determining the net tax of a registrant for a reporting period during which an election made by the registrant under section 434 is in effect, subject to a regulatory provision made under that section."

(2) Subsection 1 has effect from 1 July 1992.

667. (1) Section 438 of the said Act is replaced by the following section:

"**438.** Where tax under section 16 is payable by a person in respect of a supply of an immovable and the supplier is not required to collect the tax and is not deemed to have collected the tax,

(1) where the person is a registrant and acquired the property for use or supply primarily in the course of commercial activities of the person, the person shall, on or before the day on or before which the person's return for the reporting period in which the tax became payable is required to be filed, pay the tax to the Minister and report the tax in that return; and

(2) in any other case, the person shall, on or before the last day of the month following the month in which the tax became payable, pay the tax to the Minister and file with the Minister in prescribed manner a return in respect of the tax in prescribed form containing prescribed information."

(2) Subsection 1 has effect from 23 April 1996. However, for the period that begins on 23 April 1996 and ends on 31 December 1996, paragraph 1 of section 438 of the said Act, replaced by subsection 1, shall be read as follows:

"(1) where the person is a registrant and acquired the property for use or supply primarily in the course of commercial activities of the person, the person shall, on or before the day on or before which the person's return for the reporting period in which the tax became payable is required to be filed, pay the tax to the Minister and file with the Minister in prescribed manner a return in respect of the tax in prescribed form containing prescribed information; and".

668. (1) Sections 441 and 442 of the said Act are replaced by the following sections:

"**441.** Where at any time a person files a particular return as required under this Title in which the person reports an amount of tax (in this section referred to as the "remittance amount") that is required to be remitted under the second paragraph of section 437 or paid under section 17, 18, 18.0.1 or 438 by the person, and the person claims a refund or rebate to which the person is entitled at that time under this Title, in the particular return or in another return, or in an application, filed as required under this Title with the particular return, the person is deemed to have remitted at that time on account of the person's remittance amount, and the Minister is deemed to have paid at that time as a refund or rebate, an amount equal to the lesser of the remittance amount and the amount of the refund or rebate.

"**442.** A person may, in prescribed circumstances and subject to prescribed conditions and rules, reduce or offset the tax that is required to be remitted under the second paragraph of section 437 or paid under section 17, 18, 18.0.1 or 438 by that person at any time by the amount of any refund or rebate to which another person may at that time be entitled under this Title."

(2) Subsection 1 has effect from 23 April 1996. However, for the period that begins on 23 April 1996 and ends on 31 March 1997, sections 441 and 442 of the said Act, replaced by subsection 1, shall be read without reference to ", 18.0.1".

669. (1) Section 444 of the said Act, replaced by section 328 of chapter 1 of the statutes of 1995, section 445 of the said Act and section 446 of the said Act, replaced by section 329 of chapter 1 of the statutes of 1995, are replaced by the following sections:

"**444.** Where a person has made a taxable supply, other than a zero-rated supply, for consideration to a recipient with whom the person was dealing at arm's length, to the extent that it is established that the consideration and tax payable in respect of the supply have become in whole or in part a bad debt, the person may, in determining the net tax for the reporting period of the person in which the bad debt is written off in the person's books of account or for a subsequent reporting period, deduct the amount determined by the formula set out in the second paragraph provided

(1) the person reports the tax collectible in respect of the supply in the return under this chapter for the reporting period in which the tax became collectible; and

(2) the person remits all net tax, if any, remittable as reported in that return.

The amount that may be deducted by a person under the first paragraph is determined by the formula

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

For the purposes of this formula,

(1) A is the tax payable in respect of the supply;

(2) B is the total of the consideration and tax remaining unpaid in respect of the supply that was written off as a bad debt; and

(3) C is the total of the consideration and tax payable in respect of the supply.

"**445.** Where a financial institution that is a member of a closely related group or of a prescribed group has at any time purchased an account receivable at face value and on a non-recourse basis from another person that was at that time a member of the group, to the extent that it is established that the account receivable has become in whole or in part a bad debt, the institution may, in determining its net tax for its reporting period in which the bad debt is written off in its books of account or for a subsequent reporting period, deduct an amount to the extent that the other person could have so deducted an amount under section 444 if that other person had not sold the account receivable and had written off the bad debt in that other person's books of account.

"**446.** Where a person recovers all or part of a bad debt in respect of which the person has made a deduction under section 444 or 445, the person shall, in determining the net tax for the reporting period of the person in which the bad debt or part thereof is recovered, add an amount determined by the formula

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

For the purposes of this formula,

(1) A is the amount of the bad debt recovered by the person;

(2) B is the tax payable in respect of the supply to which the bad debt relates; and

(3) C is the total of the consideration and tax payable in respect of the supply."

(2) The portion of subsection 1 that replaces section 444 of the said Act applies for the purpose of determining the net tax for any reporting period for which a return is filed after 23 April 1996.

(3) The portion of subsection 1 that replaces section 445 of the said Act applies, except in respect of amounts written off as bad debts before 24 April

1996, for the purpose of determining the net tax for any reporting period for which a return is filed after 23 April 1996.

(4) The portion of subsection 1 that replaces section 446 of the said Act applies for the purpose of determining the net tax for any reporting period for which a return is filed after 23 April 1996.

670. (1) The said Act is amended by inserting, after section 446, the following section:

"**446.1.** A person may not claim a deduction under section 444 or 445 in respect of an amount that the person has, during a particular reporting period of the person, written off in its books of account as a bad debt unless the deduction is claimed in a return under this chapter filed within four years after the day on or before which the return under this chapter for the particular reporting period of the registrant is required to be filed."

(2) Subsection 1 applies for the purpose of determining the net tax for any reporting period for which a return is filed after 23 April 1996.

671. (1) Section 447 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**447.** Where a particular person has, during a reporting period, charged to, or collected from, another person an amount as or on account of tax under section 16 in excess of the tax under that section that was collectible by the particular person from the other person, the particular person may, within two years after the day the amount was so charged or collected,".

(2) Subsection 1 has effect in respect of

(*a*) amounts charged or collected as or on account of tax under section 16 of the said Act after 30 June 1996; and

(*b*) amounts charged or collected as or on account of tax under section 16 of the said Act before 1 July 1996, other than amounts that are adjusted, credited or refunded on or before 30 June 1998 in accordance with section 447 of the said Act as it read on 30 June 1996.

672. (1) Section 453 of the said Act, amended by section 330 of chapter 1 of the statutes of 1995, is again amended by replacing paragraph 1 by the following paragraph:

"(1) to have reduced, at that time, the total consideration for those supplies by an amount equal to the amount determined by multiplying 100/107.5 by

(*a*) where the particular person has made an election that is in effect for that fiscal year for the purposes of this subparagraph, the part of the dividend that is in respect of taxable supplies, other than zero-rated supplies, made to the other person, and

(*b*) in any other case, the specified amount in respect of the dividend; and".

(2) Subsection 1 has effect from 1 April 1997. However, where it applies for the period from 1 April 1997 to 31 December 1997, paragraph 1 of section 453 of the said Act, replaced by subsection 1, shall be read with "100/107.5" replaced by "100/106.5".

673. (1) Sections 454.1 and 454.2 of the said Act are replaced by the following sections:

"**454.1.** An election made under subparagraph *a* of paragraph 1 of section 453 or section 454 by a person shall be made before any patronage dividend is paid by the person in the fiscal year of the person in which the election is to take effect.

"**454.2.** An election made under subparagraph *a* of paragraph 1 of section 453 or section 454 by a person may be revoked by the person before any patronage dividend is paid by the person in the fiscal year of the person in which the revocation is to take effect."

(2) Subsection 1 has effect from 1 April 1997.

674. (1) The said Act is amended, in Division III of Chapter VIII of Title I, by replacing subdivision 6 and the heading of subdivision 6.1 by the following:

"§6. — *Payment of rebate by registrant*

"**455.** Where, in the circumstances described in section 357.5.2, 366 or 370.1, a registrant pays to, or credits in favour of, a person an amount on account of a rebate and transmits the application of the person for the rebate to the Minister in accordance with section 357.5.2, 367 or 370.2, as the case requires, the registrant may deduct the amount in determining the net tax of the registrant for the reporting period of the registrant in which the amount is paid or credited to the person."

(2) Subsection 1 has effect from 24 April 1996.

675. (1) Section 456 of the said Act, amended by section 461 of chapter 63 of the statutes of 1995, is again amended

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

"**456.** Where, in a taxation year of a registrant, tax becomes payable, or is paid without having become payable, by the registrant in respect of supplies of a passenger vehicle made under a lease and the total of the consideration for the supplies that would be deductible in computing the registrant's income for the year for the purposes of the Taxation Act (chapter I-3), if the registrant were a taxpayer under that Act and that Act were read without reference to

section 421.6 thereof, exceeds the amount in respect of that consideration that is, or would be if the registrant were a taxpayer under the Taxation Act, deductible in computing the registrant's income for the year for the purposes of that Act, there shall be added in determining the net tax for the appropriate reporting period of the registrant an amount determined by the formula

$$A \times B \times C.";$$

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

"(2) B is the tax paid or payable in respect of those supplies, other than tax that, by reason of section 203 or 206, may not be included in determining an input tax refund of the registrant; and".

(2) Subsection 1 has effect from 1 April 1997.

676. (1) Section 457.1 of the said Act, enacted by section 462 of chapter 63 of the statutes of 1995, is amended by replacing the third paragraph by the following paragraph:

"The first paragraph does not apply to charities or public institutions."

(2) Subsection 1 applies in respect of supplies of food, beverages or entertainment received after 31 December 1996 and to allowances paid after that date.

677. (1) The said Act is amended by inserting, after section 457.1, the following section:

"**457.2.** An amount that is 50% of the total of all amounts each of which is an input tax refund claimed, in respect of a supply or bringing into Québec of property or a service that is acquired or brought into Québec by a registrant for consumption or use in relation to a work space described in subparagraph *a* or *b* of paragraph 1.1 of section 203, in a return for a reporting period in a fiscal year of the registrant shall be added in determining the net tax

(1) where the registrant ceases in or at the end of that fiscal year to be registered under Division I, for the last reporting period of the registrant in that fiscal year;

(2) where the reporting period of the registrant is a fiscal year of the registrant, for that reporting period; and

(3) in any other case, for the reporting period of the registrant beginning immediately after the end of that fiscal year.

For the purposes of this section, the fiscal year of a person is the fiscal year of that person within the meaning of section 458.1."

(2) Subsection 1 applies in respect of a supply or bringing into Québec of property or a service where tax in respect of the supply or bringing into Québec becomes payable in a fiscal period, within the meaning of the Taxation Act (R.S.Q., chapter I-3), of the registrant that begins after 9 May 1996.

678. (1) Section 459 of the said Act, replaced by section 472 of chapter 63 of the statutes of 1995, is again replaced by the following section:

"**459.** Subject to sections 466 and 467, the reporting period of a person who is not a registrant is a calendar month."

(2) Subsection 1 applies in respect of fiscal years beginning after 23 April 1996.

(3) In addition, section 459 of the said Act, replaced by subsection 1, shall be read as follows for the period that begins on 1 January 1993 and ends on 31 July 1995:

"**459.** The reporting period of a person is

(1) in the case of a person who is not a registrant and subject to sections 466 and 467, a calendar month; and

(2) in the case of a person who is a registrant at a particular time in a fiscal year of the registrant and subject to sections 305, 306, 307, 314, 314.1, 315, 324.7, 464, 466 and 467,

(*a*) the fiscal year of the person that includes that time, if the person has made an election under section 460 that is effective at that time,

(*b*) the fiscal quarter of the person that includes that time, if the person has made an election under section 459.4 that is effective at that time, and

(*c*) in any other case, the fiscal month of the person that includes that time."

679. (1) Section 459.0.1 of the said Act, enacted by section 473 of chapter 63 of the statutes of 1995, is amended

(1) by replacing the portion before paragraph 1 by the following:

"**459.0.1.** Subject to sections 305, 306, 307, 314, 314.1, 315, 324.7, 461.1, 466 and 467, the reporting period of a registrant at a particular time in a fiscal year of the registrant is";

(2) in paragraph 1,

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

"iii. except where the reporting period of the registrant that includes that time is deemed under section 305, 306, 307, 314, 314.1, 315, 324.7 or 466 to be a separate reporting period, the last reporting period of the registrant ending before that time was a fiscal year of the registrant;";

(*b*) by adding the following subparagraphs:

"(*c*) the registrant is a charity and has not made an election under section 459.2, 459.2.1 or 459.4 that is effective at that time, or

"(*d*) the registrant is a listed financial institution and has not made an election under section 459.2, 459.2.1 or 459.4 that is effective at that time;";

(3) by replacing subparagraph *a* of paragraph 2 by the following subparagraph:

"(*a*) the threshold amount of the registrant for the fiscal year or fiscal quarter of the registrant that includes that time exceeds $6,000,000 and the registrant is neither a listed financial institution nor a charity,";

(4) by striking out paragraph 3.

(2) Paragraph 1 of subsection 1 and the portion of paragraph 2 of subsection 1 that replaces subparagraph iii of subparagraph *b* of paragraph 1 of section 459.0.1 of the said Act have effect from 1 August 1995.

(3) The portion of paragraph 2 of subsection 1 that enacts subparagraphs *c* and *d* of paragraph 1 of section 459.0.1 of the said Act, and paragraphs 3 and 4 of subsection 1 apply in respect of fiscal years beginning after 31 December 1996.

680. (1) Section 459.4 of the said Act, amended by section 332 of chapter 1 of the statutes of 1995 and replaced by section 478 of chapter 63 of the statutes of 1995, is again replaced by the following section:

"**459.4.** A person that is a charity on the first day of a fiscal year of the person or whose threshold amount for a particular fiscal year does not exceed $6,000,000 may make an election to have reporting periods that are fiscal quarters of the person.

An election under the first paragraph shall take effect

(*a*) where the person is a registrant on the first day of the fiscal year of the person, that day; or

(*b*) on the day in the fiscal year of the person that the person becomes a registrant."

(2) Subsection 1 has effect from 23 April 1996. However, in determining a person's reporting period for fiscal years beginning before 1 January 1997, the first paragraph of section 459.4 of the said Act, replaced by subsection 1, shall be read as follows:

"**459.4.** A person whose threshold amount for a particular fiscal year does not exceed $6,000,000 may make an election to have reporting periods that are fiscal quarters of the person."

681. (1) Section 459.5 of the said Act, amended by section 333 of chapter 1 of the statutes of 1995 and replaced by section 478 of chapter 63 of the statutes of 1995, is again amended by replacing paragraphs 2 and 3 by the following paragraphs:

"(2) where the person is not a charity, the beginning of the first fiscal quarter of the person for which the threshold amount of the person exceeds $6,000,000; and

"(3) where the person is not a charity, the beginning of the first fiscal year of the person for which the threshold amount of the person exceeds $6,000,000."

(2) Subsection 1 applies in respect of fiscal years beginning after 31 December 1996.

682. (1) Section 460 of the said Act, amended by section 334 of chapter 1 of the statutes of 1995 and replaced by section 479 of chapter 63 of the statutes of 1995, is again amended by replacing the first paragraph by the following paragraph:

"**460.** A registrant that is a charity on the first day of a fiscal year of the registrant or whose threshold amount for a particular fiscal year does not exceed $500,000 may make an election to have reporting periods that are fiscal years of the registrant."

(2) Subsection 1 has effect from 1 August 1995. However, in respect of fiscal years beginning before 1 January 1997, the first paragraph of section 460 of the said Act, replaced by subsection 1, shall be read as follows:

"**460.** A registrant whose threshold amount for a particular fiscal year does not exceed $500,000 may make an election to have reporting periods that are fiscal years of the registrant."

683. (1) Section 461 of the said Act, amended by section 335 of chapter 1 of the statutes of 1995 and replaced by section 480 of chapter 63 of the statutes of 1995, is again amended by replacing paragraphs 2 and 3 by the following paragraphs:

"(2) where the person is not a charity and the threshold amount of the person for the second or third fiscal quarter of the person in a fiscal year of the

person exceeds $500,000, the beginning of the first fiscal quarter of the person for which the threshold amount exceeds that amount; and

"(3) where the person is not a charity and the threshold amount of the person for a fiscal year of the person exceeds $500,000, the beginning of that fiscal year."

(2) Subsection 1 has effect from 1 January 1997.

684. (1) Section 472 of the said Act, amended by section 336 of chapter 1 of the statutes of 1995 and by section 489 of chapter 63 of the statutes of 1995, is replaced by the following section:

"**472.** Where tax under section 18 or 18.0.1 is payable by a person,

(1) where the person is a registrant, the person shall, on or before the day on or before which the person's return under section 468 or 469 for the reporting period in which the tax became payable is required to be filed, pay the tax to the Minister or the prescribed person and report the tax in that return; and

(2) in any other case, the person shall, on or before the last day of the month following the calendar month in which the tax became payable, pay the tax to the Minister or the prescribed person and file with the Minister or the prescribed person in prescribed manner a return in respect of the tax in prescribed form containing prescribed information."

(2) Subsection 1 has effect from 1 January 1997.

685. (1) Section 477.1 of the said Act, enacted by section 493 of chapter 63 of the statutes of 1995, is amended by adding, after the second paragraph, the following paragraph:

"This section applies, with the necessary modifications, to a person referred to in section 397 who is authorized to file an application under section 239 of Part IX of the said Act by reason of the application of subsection 11 of section 259 of the said Act."

(2) Subsection 1 has effect from 1 August 1995.

686. (1) Section 489.1 of the said Act, enacted by section 496 of chapter 63 of the statutes of 1995, is amended by adding, at the end, the following paragraph:

"In the case of any other alcoholic beverage produced in Québec by a prescribed person, the specific tax that a person is required to pay under this Title in respect of such an alcoholic beverage is reduced by the prescribed amount or percentage, on the prescribed terms and conditions."

(2) Subsection 1 has effect from 26 March 1997 and applies in respect of alcoholic beverages other than beer sold on or after that date.

687. (1) Section 490 of the said Act, amended by section 497 of chapter 63 of the statutes of 1995 and by section 350 of chapter 14 of the statutes of 1997, is again amended by replacing subparagraph 1 of the first paragraph by the following subparagraph:

"(1) the sale of an alcoholic beverage for consumption on the premises, authorized by a permit issued under the Act respecting liquor permits (chapter P-9.1), by a small-scale production permit issued under the Act respecting the Société des alcools du Québec (chapter S-13) or by a brewer's permit issued under the said Act;".

(2) Subsection 1 has effect from 12 June 1997.

688. (1) The said Act is amended by inserting, after section 541.33, the following Title:

"TITLE IV.3

"SPECIFIC DUTY ON PERCHLOROETHYLENE

"CHAPTER I

"DEFINITIONS

"**541.34.** For the purposes of this Title and the regulations made under it, unless the context indicates otherwise,

"business" has the meaning assigned by section 1;

"person" has the meaning assigned by section 1;

"retail sale" means a sale made by a person for the purpose of consumption or use by the person or by any other person at the expense of the person or the other person, but does not include a sale made for purposes of resale;

"vendor" means any person who makes a retail sale of perchloroethylene in Québec.

"CHAPTER II

"TAXATION OF SPECIFIC DUTY

"**541.35.** Every person, at the time of making a purchase at a retail sale in Québec of perchloroethylene for consumption or use in the course of a dry cleaning business operated in Québec, shall pay a specific duty equal to $2.50 per litre of perchloroethylene purchased by the person.

"**541.36.** Every person who brings or causes to be brought into Québec any perchloroethylene for consumption or use in the course of a dry-cleaning business operated in Québec by the person or at the person's expense by another person shall, immediately after the bringing into Québec of the perchloroethylene, make a report to the Minister in prescribed form containing prescribed information and pay to the Minister a specific duty equal to $2.50 per litre of perchloroethylene so brought in.

"**541.37.** Every person who consumes or uses or arranges for another person to consume or use, at the expense of the person and in the course of a dry-cleaning business operated in Québec, any perchloroethylene in respect of which the specific duty provided for in sections 541.35 and 541.36 has not been paid shall immediately make a report to the Minister in prescribed form containing prescribed information and pay to the Minister the specific duty in respect of the perchloroethylene.

"**CHAPTER III**

"ADMINISTRATION

"**541.38.** Every vendor shall collect, as mandatary of the Minister, the specific duty provided for in section 541.35 when the vendor makes a sale of perchloroethylene for consumption or use in the course of a dry-cleaning business operated in Québec.

Whether the price is stipulated to be payable in cash, with a term, in instalments or in any other manner, the duty referred to in the first paragraph shall be collected by the vendor at the time of the sale and calculated on the total quantity of perchloroethylene forming the object of the contract.

The amount of duty shall be indicated separately from the sale price on any invoice and on any document recording the sale.

"**541.39.** Every vendor shall keep an account of the specific duty the vendor has collected and shall, on or before the last day of each calendar month, render an account to the Minister of the specific duty the vendor has collected or should have collected during the preceding calendar month, as prescribed by the Minister in prescribed form containing prescribed information and, at the same time, remit to the Minister the amount of that duty.

The vendor shall render an account even if no sale giving rise to such a tax was made during the calendar month.

Sections 447 and 449 apply, with the necessary modifications, where the vendor charges or collects an amount from a person as or on account of the duty provided for in section 541.35 that exceeds the amount of the duty the vendor was required to collect.

"**541.40.** Every vendor required to collect the specific duty provided for in section 541.35 is required to register and hold a registration certificate issued in accordance with section 541.42.

"**541.41.** Every person required to collect the specific duty provided for in section 541.35 who, on 31 December 1997, holds a registration certificate issued under Title I is deemed, for the purposes of this Title, to hold, on 1 January 1998, a registration certificate issued in accordance with section 541.42.

Every person referred to in the first paragraph shall, within ten days after the day the person first engages in the retail sale of perchloroethylene for which the person is required to collect the duty provided for in section 541.35, so inform the Minister by registered or certified mail.

"**541.42.** Every person required to be registered under section 541.40 and not referred to in section 541.41 shall apply for registration to the Minister before the day the person is first required to collect the duty.

Sections 412 and 415 apply to the application, with the necessary modifications.

"**541.43.** The Minister may cancel the registration of a person referred to in section 541.40.

Sections 416 and 418 apply to the cancellation, with the necessary modifications.

"**541.44.** Every person who contravenes section 541.36 or 541.37, the third paragraph of section 541.38, section 541.40 or the second paragraph of section 541.41 is liable to a fine of not less than $200 nor more than $5,000."

(2) Subsection 1 has effect in respect of a retail sale of perchloroethylene made on or after 1 January 1998 or a bringing into Québec of perchloroethylene on or after 1 January 1998.

689. (1) The said Act is amended by inserting, after section 622, the following sections:

"**622.1.** For the purposes of section 622.2,

"offering memorandum", in respect of an offer to sell interests in a partnership that is a limited partnership (in this section and in section 622.2 referred to as the "limited partnership") to a prospective subscriber, means one or more documents in writing setting out

(1) all facts concerning the limited partnership and its activities or proposed activities that significantly affect, or could reasonably be expected to have a significant effect on, the value of those interests;

(2) the price at which those interests are being offered; and

(3) the date on which ownership of the interests is to be transferred to persons who subscribe to the offering;

"subscription price", for an interest in a limited partnership, means the consideration payable in respect of the interest as set out in the offering memorandum.

"**622.2.** The rules set out in the second paragraph apply where

(1) an offering memorandum in respect of an offer to sell interests in a limited partnership is issued to prospective subscribers before 30 August 1990;

(2) at the time the offering memorandum is issued, it is proposed that the limited partnership will exclusively engage in the activities of acquiring land or a beneficial interest therein, constructing a complex held in co-ownership on the land, owning residential units held in co-ownership located in the complex and making a supply of those units by way of lease, licence or similar arrangement for the purpose of their occupancy by individuals as places of residence;

(3) the offering memorandum does not provide for an increase in the subscription prices of the interests because of a change in the application of taxes and the subscription prices are not increased from 30 August 1990 until the date on which the offer to sell the interests expires;

(4) a particular interest in the limited partnership is transferred to a subscriber before 1 July 1992 in accordance with the offering memorandum;

(5) the limited partnership, whether or not in concert with another person, acquires land or a beneficial interest therein before 1 July 1992 and engages a person to construct a complex held in co-ownership on that land under agreements in writing entered into before 30 August 1990 or under agreements in writing entered into after 29 August 1990 that substantially conform with terms and conditions relating to those agreements as set out in the offering memorandum;

(6) the particular interest in the limited partnership relates to a residential unit held in co-ownership that is owned by the limited partnership and is located in the complex held in co-ownership; and

(7) possession of the particular residential unit held in co-ownership is transferred after 30 June 1992 to a person under a lease, licence or similar arrangement for the purpose of its occupancy by an individual as a place of residence.

The rules to which the first paragraph refers are as follows:

(1) the amount of tax that is payable and collectible by the limited partnership and the amount of tax deemed to have been paid and collected by the limited partnership under subparagraph 2 of the first paragraph of section 223, in respect of the supply of the particular residential unit held in co-ownership that is deemed to have been made under subparagraph 1 of the first paragraph of section 223, are deemed to be nil;

(2) for the purposes of Division II of Chapter VI, a residential unit held in co-ownership located in the residential complex is deemed not to be a particular residential complex; and

(3) the limited partnership is not entitled to an input tax refund in respect of the supply of property or services required for completion of the work after 30 June 1992."

(2) Subsection 1 has effect from 1 July 1992. However, it does not apply to a limited partnership in respect of residential units held in co-ownership owned by the partnership that are located in a particular complex held in co-ownership (unless the limited partnership applies for a rebate in respect of tax under section 400 of the said Act before 1 January 1998) where

(*a*) the limited partnership was deemed under section 223 of the said Act to have made, before 1 December 1996, supplies of one or more of those units, and

(*b*) all of the tax in respect of those supplies that was deemed to have been collected and that the limited partnership was required, under Title I of the said Act as it read before (*insert the date of assent to this Act*), to remit before 1 December 1996 was remitted before that date.

(3) Section 401 of the said Act does not apply to a rebate referred to in subsection 2 where an application for the rebate is filed with the Minister of Revenue before 1 January 1998.

(4) Where the Minister of Revenue has determined any amount of tax that was remittable by a limited partnership, under Title I of the said Act as it read before (*insert the date of assent to this Act*), in respect of supplies deemed under section 223 of the said Act to have been made of residential units held in co-ownership to which section 622.2 of the said Act, enacted by subsection 1, applies, the Minister of Revenue may, before 1 January 1998 and notwithstanding section 25 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), make a further determination of the tax that is remittable by the partnership in respect of those supplies in accordance with Title I of the said Act as it reads after (*insert the date of assent to this Act*).

(5) Where a limited partnership applied for a rebate under section 667 of the said Act in respect of a complex held in co-ownership and section 622.2 of

the said Act, enacted by subsection 1, applies to residential units held in co-ownership owned by the limited partnership that are located in the complex, and the Minister of Revenue determines the amount of tax that is, in accordance with Title I of the said Act as it reads after (*insert the date of assent to this Act*), required to be remitted by the limited partnership in respect of supplies of those units deemed under section 223 to have been made, or the amount of a rebate referred to in subsection 2 that is payable to the limited partnership under section 400 of the said Act in respect of those units, the Minister of Revenue may, notwithstanding the second paragraph of section 25 of the Act respecting the Ministère du Revenu, make a further determination of the amount of the rebate that is payable to the limited partnership under section 667 of the said Act or, where an amount has been paid to the partnership in respect of that rebate in excess of the amount to which the partnership is entitled, determine the excess as an amount payable by the partnership on or before the later of

i. 31 December 1997, and

ii. where the Minister determined the amount of a rebate referred to in subsection 2 that is payable to the partnership under section 400 of the said Act in respect of those units, the day on which that determination is made.

690. (1) The said Act is amended by inserting, after section 635.7, the following sections:

"**635.8.** Where a person received before 1 January 1998 a taxable supply of movable property in respect of which the person paid tax under section 16 at the rate of 6.5%, the person returns the property to the supplier after 31 December 1997 to exchange it for other movable property and the consideration for the supply of the other property is equal to the consideration for the supply of the returned property, the following rules apply:

(1) the person is not entitled to a refund of the tax paid in respect of the supply of the returned property; and

(2) tax under section 16 does not apply in respect of the supply of the other property.

"**635.9.** Where a person received before 1 January 1998 a taxable supply of movable property in respect of which the person paid tax under section 16 at the rate of 6.5%, the person returns the property to the supplier after 31 December 1997 to exchange it for other movable property and the consideration for the supply of the other property exceeds the consideration for the supply of the returned property, the following rules apply:

(1) the person is not entitled to a refund of the tax paid in respect of the supply of the returned property; and

(2) the person shall pay tax under section 16 but only on that part of the consideration for the supply of the other property which exceeds the consideration for the supply of the returned property."

(2) Subsection 1 has effect from 1 January 1998.

691. (1) Section 677 of the said Act, amended by section 349 of chapter 1 of the statutes of 1995, by section 509 of chapter 63 of the statutes of 1995, by section 135 of chapter 3 of the statutes of 1997 and by section 355 of chapter 14 of the statutes of 1997, is again amended in the first paragraph

(1) by replacing subparagraph 3 by the following subparagraph:

"(3) determine, for the purposes of the definition of the expression "financial service", which services are prescribed services for the purposes of paragraph 13 thereof, which services are prescribed services for the purposes of paragraph 17 thereof and which services are prescribed services for the purposes of paragraph 20 thereof;";

(2) by inserting, after subparagraph 5, the following subparagraph:

"(5.1) determine, for the purposes of section 18.0.1, which supply of property or a service is a prescribed supply and which circumstances and terms and conditions are prescribed circumstances and prescribed terms and conditions;";

(3) by striking out subparagraphs 6 and 7;

(4) by inserting, after subparagraph 7, the following subparagraphs:

"(7.1) determine, for the purposes of section 20.30, which supply of property or a service is a prescribed supply;

"(7.2) determine, for the purposes of section 20.31, which supply of property or a service is a prescribed supply;";

(5) by inserting, before subparagraph 10.1, the following subparagraph:

"(10.0.1) determine, for the purposes of section 41.2.1, property that is prescribed property;";

(6) by inserting, after subparagraph 18, the following subparagraph:

"(18.1) determine, for the purposes of paragraph 9 of section 138.1, which persons are prescribed persons and which games of chance are prescribed games of chance;";

(7) by striking out subparagraphs 25 to 27;

(8) by replacing subparagraph 31.1.1 by the following subparagraph:

"(31.1.1) determine, for the purposes of subparagraph *b* of subparagraph 2 of the first paragraph of section 290, the percentage of the total consideration;";

(9) by inserting, after subparagraph 31.1.1, the following subparagraphs:

"(31.1.2) determine, for the purposes of section 300.2, the prescribed amount;

"(31.1.3) determine, for the purposes of section 301.1, the prescribed amount;

"(31.1.4) determine, for the purposes of section 301.3, the prescribed amount;

"(31.1.5) determine, for the purposes of section 323.3, the prescribed amount;

"(31.1.6) determine, for the purposes of section 324.1, the prescribed amount;

"(31.1.7) determine, for the purposes of section 324.3, the prescribed amount;";

(10) by striking out subparagraphs 34 and 40.0.1;

(11) by inserting, after subparagraph 35, the following subparagraph:

"(35.1) determine, for the purposes of section 353.0.4, which applications for a rebate are prescribed applications;";

(12) by inserting, after subparagraph 44, the following subparagraph:

"(44.1) determine, for the purposes of section 433.12, which method is a prescribed method;";

(13) by replacing subparagraph 50.2 by the following subparagraph:

"(50.2) determine, for the purposes of section 489.1, the prescribed amounts the prescribed percentages, the prescribed terms and conditions, and the prescribed persons;".

(2) Paragraph 1 of subsection 1 has effect from 1 July 1992.

(3) Paragraph 3 of subsection 1 applies in respect of supplies of property or a service made after 31 March 1997.

(4) Paragraph 5 of subsection 1 applies in respect of supplies made after 31 March 1997.

(5) Paragraph 6 of subsection 1 has effect in respect of any supply for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

(6) Paragraphs 7 and 9 of subsection 1 have effect from 24 April 1996.

(7) Paragraph 8 of subsection 1 applies from the taxation year 1996.

(8) The portion of paragraph 10 of subsection 1 that strikes out subparagraph 34 of the first paragraph of section 677 of the said Act applies in respect of property acquired after 23 April 1996.

(9) The portion of paragraph 10 of subsection 1 that strikes out subparagraph 40.0.1 of the first paragraph of section 677 of the said Act has effect in respect of property or a service acquired or brought into Québec under an agreement entered into after 31 December 1996. However, in the case of property or a service delivered, performed or made available on a continuous basis by means of a wire, pipeline or other conduit, it has effect in respect of property or a service invoiced for a regular period beginning after 31 December 1996.

(10) Paragraph 11 of subsection 1 has effect from 1 April 1997.

(11) Paragraph 12 of subsection 1 applies for the purpose of determining the net tax of a charity in respect of reporting periods beginning after 31 December 1996.

(12) Paragraph 13 of subsection 1 has effect from 26 March 1997.

692. (1) Section 685 of the said Act is amended by adding the following paragraph:

"(10) any supply referred to in section 318 that was made before 1 July 1992; however, no tax is payable under Title I in respect of any amount paid or forfeited, or any debt or other obligation reduced or extinguished, before 1 July 1992."

(2) Subsection 1 has effect from 24 April 1996.

FUEL TAX ACT

693. (1) Section 1 of the Fuel Tax Act (R.S.Q., chapter T-1), amended by section 125 of chapter 65 of the statutes of 1995, is again amended by replacing the second paragraph by the following paragraph:

"In this Act the word "litre", when it applies to butane gas or liquefied petroleum gas, is equivalent to 0.508 87kg."

(2) Subsection 1 has effect from 26 March 1997.

694. (1) Section 2 of the said Act, amended by section 350 of chapter 1 of the statutes of 1995, by section 514 of chapter 63 of the statutes of 1995 and by section 126 of chapter 65 of the statutes of 1995, is again amended

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

"(*b*) $0.162 per litre of fuel oil;";

(2) by striking out subparagraph *c* of the first paragraph;

(3) by inserting, after the fourth paragraph, the following paragraph:

"Moreover, in the case of the acquisition of a mixture of gasoline and ethanol, the tax provided for in subparagraph *a* of the first paragraph is reduced in the manner and on the terms and conditions prescribed by regulation."

(2) Paragraph 1 of subsection 1 has effect from 17 October 1997. However, for the period that begins on 17 May 1997 and ends on 16 October 1997, subparagraph *b* of the first paragraph of section 2 of the Fuel Tax Act, replaced by paragraph 1 of subsection 1, shall be read as follows:

"(*b*) $0.152 per litre of fuel oil;".

(3) Paragraph 2 of subsection 1 has effect from 26 March 1997.

(4) Paragraph 3 of subsection 1 has effect from 1 January 1999.

695. (1) Section 9 of the said Act is amended

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

"(*a*) butane gas and liquefied petroleum gas when acquired by a person taking delivery of it in a container used exclusively for supplying the heating system of an immovable or used for any purpose other than supplying an internal combustion engine;";

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

"(*h*) natural gas and propane gas."

(2) Subsection 1 has effect from 26 March 1997.

696. (1) Section 51.1 of the said Act, amended by section 527 of chapter 63 of the statutes of 1995 and by section 137 of chapter 65 of the statutes of 1995, is again amended

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

"**51.1.** The holder of a collection officer's permit shall collect, as a mandatary of the Minister, an amount equal to the tax established in the first, fourth or fifth paragraph of section 2 from every person to whom the permit holder sells, delivers or causes to be delivered fuel in Québec. This requirement does not apply in respect of fuel delivered outside Québec.";

(2) by replacing, in the second paragraph, the word "fifth" by the word "sixth".

(2) Subsection 1 has effect from 1 January 1999.

697. Section 56 of the said Act, amended by section 530 of chapter 63 of the statutes of 1995, by section 140 of chapter 65 of the statutes of 1995 and by section 365 of chapter 14 of the statutes of 1997, is again amended by adding the following paragraph:

"Notwithstanding the first paragraph, regulations made in the year 1998 under this Act in respect of the tax reduction in the regions referred to in the second paragraph of section 2 may, once published and if they so provide, apply from a date prior to their date of publication but not prior to 26 March 1997."

ACT TO AMEND THE CODE OF CIVIL PROCEDURE AND VARIOUS LEGISLATIVE PROVISIONS

698. Section 16 of the Act to amend the Code of Civil Procedure and various legislative provisions (1993, chapter 72) is repealed.

ACT TO AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

699. (1) Paragraph *e* of subsection 2 of section 261 of the Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1) is repealed.

(2) Subsection 1 has effect from 30 January 1995.

ACT TO AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

700. (1) Section 299 of the Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 63) is amended

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

"(4) Paragraph 6 of subsection 1 applies from 21 June 1996.";

(2) by replacing subsection 5 by the following subsection:

"(5) Paragraph 8 of subsection 1 applies in respect of a road vehicle acquired or brought into Québec by a registrant after 31 July 1995 where the registrant would be entitled to claim an input tax refund in respect of the road vehicle by reason of the repeal of paragraph 1 of section 206 of the said Act, had the registrant acquired the road vehicle or brought the road vehicle into Québec exclusively for use in the course of commercial activities of the registrant and, in all other cases, in respect of a road vehicle acquired or brought into Québec by a registrant after an effective date fixed by order of the Government.";

(3) by replacing, in subsection 6, the portion before the definition of "passenger vehicle" by the following:

"(6) Furthermore, where the definition of "passenger vehicle" in section 1 of the said Act, replaced by paragraph 8 of subsection 1, applies, it shall be read as follows:".

(2) Paragraphs 2 and 3 of subsection 1 have effect from 15 December 1995.

701. (1) Section 307 of the said Act is amended

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

"(2) Paragraph 1 of subsection 1 applies in respect of supplies of property made to a recipient after 31 July 1995 where the recipient would be entitled to include, in determining the input tax refund of the recipient, by reason of the repeal of section 206.1 of the said Act, the total amount of tax payable in respect of the supply of the property and, in all other cases, in respect of supplies of property made after an effective date fixed by order of the Government.";

(2) by replacing subsection 3 by the following subsection:

"(3) Paragraph 2 of subsection 1 applies in respect of supplies of property made after an effective date fixed by order of the Government."

(2) Subsection 1 has effect from 15 December 1995.

702. (1) Section 313 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1,

(*a*) where it repeals section 34.1 of the said Act, applies

i. in respect of property or services and other property or services referred to in section 34 of the said Act that the registrant acquires after 31 July 1995, where the registrant is entitled to claim an input tax refund in respect of the other property or services by reason of the repeal of section 206.1 of the said Act, and

ii. in all other cases, in respect of property or services and other property or services referred to in section 34 of the said Act that the registrant acquires after an effective date fixed by order of the Government;

(*b*) where it repeals section 34.2 of the said Act, applies in respect of property or services and other property or services referred to in section 34 of the said Act that the organization acquires after 31 July 1995."

(2) Subsection 1 has effect from 15 December 1995.

703. (1) Section 337 of the said Act is amended

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

"(2) Subsection 1 applies

(*a*) in respect of supplies of a 1-800 telephone service and supplies of any other telecommunication service related to a 1-800 telephone service for which the consideration becomes payable after 9 May 1995 and is not paid before 10 May 1995;

(*b*) in respect of supplies of a 1-888 telephone service and supplies of any other telecommunication service related to a 1-888 telephone service for which the consideration becomes payable after 1 March 1996 and is not paid before 2 March 1996.";

(2) by replacing subsections 3 and 4 by the following subsection:

"(3) Subsection 1 applies in respect of the tax payable by a recipient in respect of the supply of property or a service, other than a service referred to in subsection 2, and that may be included in determining an input tax refund of the recipient by reason of the repeal of section 206.1 of the said Act if the recipient paid the tax."

(2) Subsection 1 has effect from 15 December 1995.

704. (1) Section 350 of the said Act is amended

(1) by replacing, in subsection 2, paragraph *a* by the following paragraph:

"(*a*) tax that, at any particular time after 31 July 1995 and before 26 March 1997, becomes payable by a registrant who, according to section 550, is a small or medium-sized business at that time and is not paid before that time, or is paid by a registrant who is, according to section 550, a small or medium-

sized business at that time without having become payable in respect of the supply or bringing into Québec of property or a service;";

(2) by inserting, in subsection 2, after paragraph *a*, the following paragraph:

"(*a*.1) tax that, at any particular time after 25 March 1997, becomes payable by a registrant who, according to section 550.1, is a small or medium-sized business at that time and is not paid before that time, or is paid by a registrant who, according to section 550.1, is a small or medium-sized business at that time without having become payable in respect of the supply or bringing into Québec of property or a service;";

(3) by replacing, in subsection 2, paragraph *b* by the following paragraph:

"(*b*) subject to paragraphs *c* and *d*, tax that, at any particular time after an effective date fixed by order of the Government, becomes payable by a registrant who is a large business at that time and is not paid before that time, or is paid by a registrant that is a large business at that time without having become payable in respect of the supply or bringing into Québec of property or a service;";

(4) by inserting, in subsection 2, after paragraph *b*, the following paragraphs:

"(*c*) tax that, at any particular time after 16 May 1997, becomes payable by a registrant who is a large business at that time and is not paid before that time, or is paid by a registrant who is a large business at that time without having become payable in respect of the acquisition or bringing into Québec of fuel oil within the meaning of subparagraph *g* of the first paragraph of section 1 of the Fuel Tax Act (R.S.Q., chapter T-1);

"(*d*) tax that, at any particular time after 16 October 1997, becomes payable by a registrant who is a large business at that time and is not paid before that time, or is paid by a registrant who is a large business at that time without having become payable in respect of the acquisition or bringing into Québec of a road vehicle of 3,000 kg or more that is required to be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) or any law of another jurisdiction.";

(5) by replacing, in subsection 7, paragraph *a* by the following paragraph:

"(*a*) tax that, at any particular time after 31 July 1995 and before 26 March 1997, becomes payable by a registrant who, according to section 550, is a small or medium-sized business at that time and is not paid before that time, or is paid by a registrant who, according to section 550, is a small or medium-sized business at that time without having become payable in respect of the supply or bringing into Québec of a road vehicle, electricity, gas, combustibles or steam;";

(6) by inserting, in subsection 7, after paragraph *a*, the following paragraph:

"(*a*.1) tax that, at any particular time after 25 March 1997, becomes payable by a registrant who, according to section 550.1, is a small or medium-sized business at that time and is not paid before that time, or is paid by a registrant who, according to section 550.1, is a small or medium-sized business at that time without having become payable in respect of the supply or bringing into Québec of a road vehicle, electricity, gas, combustibles or steam;";

(7) by replacing, in subsection 7, paragraph *b* by the following paragraph:

"(*b*) tax that, at any particular time after an effective date fixed by order of the Government, becomes payable by a registrant who is a large business at that time and is not paid before that time, or is paid by a registrant who is a large business at that time without having become payable in respect of the supply or bringing into Québec of a road vehicle, electricity, gas, combustibles or steam.";

(8) by replacing, in subsection 9, paragraph *a* by the following paragraph:

"(*a*) tax that, at any particular time after 31 July 1995 and before 26 March 1997, becomes payable by the organizer or sponsor of a convention who, according to section 550, is a small or medium-sized business at that time and is not paid before that time, or is paid by the organizer or sponsor of a convention who, according to section 550, is a small or medium-sized business at that time without having become payable in respect of electricity, a telephone service, a telecommunication service or any telecommunication acquired by the organizer or sponsor of the convention as related convention supplies;";

(9) by inserting, in subsection 9, after paragraph *a*, the following paragraph:

"(*a*.1) tax that, at any particular time after 25 March 1997, becomes payable by the organizer or sponsor of a convention who, according to section 550.1, is a small or medium-sized business at that time and is not paid before that time, or is paid by the organizer or sponsor of a convention who, according to section 550.1, is a small or medium-sized business at that time without having become payable in respect of electricity, a telephone service, a telecommunication service or any telecommunication acquired by the organizer or sponsor of the convention as related convention supplies;";

(10) by replacing, in subsection 9, paragraph *b* by the following paragraph:

"(*b*) tax that, at any particular time after an effective date fixed by order of the Government, becomes payable by the organizer or sponsor of a convention who is a large business at that time and is not paid before that time, or is paid by the organizer or sponsor of a convention who is a large business at that time without having become payable in respect of electricity, a telephone service, a telecommunication service or any telecommunication acquired by the organizer or sponsor of the convention as related convention supplies.";

(11) by replacing, in subsection 11, paragraph *a* by the following paragraph:

"(*a*) tax that, at any particular time after 31 July 1995 and before 26 March 1997, becomes payable by a registrant who, according to section 550, is a small or medium-sized business at that time and is not paid before that time, or is paid by a registrant who, according to section 550, is a small or medium-sized business at that time without having become payable in respect of the supply or bringing into Québec of property or a service relating to a road vehicle;";

(12) by inserting, in subsection 11, after paragraph *a*, the following paragraph:

"(*a*.1) tax that, at any particular time after 25 March 1997, becomes payable by a registrant who, according to section 550.1, is a small or medium-sized business at that time and is not paid before that time, or is paid by a registrant who, according to section 550.1, is a small or medium-sized business at that time without having become payable in respect of the supply or bringing into Québec of property or a service relating to a road vehicle;";

(13) by replacing, in subsection 11, paragraph *b* by the following paragraph:

"(*b*) tax that, at any particular time after an effective date fixed by order of the Government, becomes payable by a registrant who is a large business at that time and is not paid before that time, or is paid by a registrant who is a large business at that time without having become payable in respect of a supply or bringing into Québec of property or a service relating to a road vehicle.";

(14) by replacing subsection 13 by the following subsection:

"(13) Subsection 1, where it repeals section 206.6 of the said Act, applies in respect of tax that, at any particular time after an effective date fixed by order of the Government and is not paid before that time, becomes payable and is not paid before that time by the registrant in respect of the supply."

(2) Paragraphs 1, 3, 5, 7, 8, 10, 11, 13 and 14 of subsection 1 have effect from 15 December 1995.

705. (1) Section 353 of the said Act is amended by replacing subsection 3 by the following subsection:

"(3) Paragraph 2 of subsection 1 applies in respect of property with respect to which an amount of tax payable after 31 July 1995 or paid after that date by a registrant may be included in determining an input tax refund of the registrant by reason of the repeal of section 206.1 of the said Act."

(2) Subsection 1 has effect from 15 December 1995.

706. (1) Section 356 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of property with respect to which an amount of tax payable after 31 July 1995 or paid after that date by a registrant may be included in determining an input tax refund of the registrant by reason of the repeal of section 206.1 of the said Act."

(2) Subsection 1 has effect from 15 December 1995.

707. (1) Section 358 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of an allowance paid after 31 July 1995 by a person, except where the person is a large business at the time the allowance is paid."

(2) Subsection 1 has effect from 15 December 1995.

708. (1) Section 360 of the said Act is amended by replacing subsection 3 by the following subsection:

"(3) Paragraph 2 of subsection 1 applies in respect of supplies made after 31 December 1993."

(2) Subsection 1 has effect from 15 December 1995.

709. (1) Section 367 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except in respect of improvements to a road vehicle with respect to which section 243.1 of the said Act applied."

(2) Subsection 1 has effect from 15 December 1995.

710. (1) Section 368 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except where section 243.1 of the said Act applies."

(2) Subsection 1 has effect from 15 December 1995.

711. (1) Section 369 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of a road vehicle with respect to which a registrant would be entitled to claim an input tax refund by reason of the repeal of paragraph 1 of section 206.1 of the said Act, if the registrant

acquired the road vehicle at the time referred to in section 243.1 of the said Act, repealed by this section, and paid tax in respect of the road vehicle at that time."

(2) Subsection 1 has effect from 15 December 1995.

712. (1) Section 370 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except in respect of a road vehicle with respect to which section 243.1 of the said Act applied."

(2) Subsection 1 has effect from 15 December 1995.

713. (1) Section 371 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of a road vehicle acquired or brought into Québec by a registrant after 31 July 1995 where the registrant would be entitled to claim an input tax refund in respect of the road vehicle by reason of the repeal of paragraph 1 of section 206.1 of the said Act if the registrant acquired the road vehicle or brought the road vehicle into Québec exclusively for use in the course of commercial activities of the registrant and, in all other cases, in respect of a road vehicle acquired or brought into Québec by a registrant after an effective date fixed by order of the Government."

(2) Subsection 1 has effect from 15 December 1995.

714. (1) Section 372 of the said Act is amended by replacing subsection 3 by the following subsection:

"(3) Paragraph 3 of subsection 1 applies in respect of passenger vehicles acquired or brought into Québec by a registrant after 31 July 1995, except where section 249 of the said Act applied in respect of a passenger vehicle the registrant of which is deemed to have made a supply under section 243.1 or 253.1 of the said Act."

(2) Subsection 1 has effect from 15 December 1995.

715. (1) Section 373 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except in respect of improvements to a passenger vehicle with respect to which section 253.1 of the said Act applied."

(2) Subsection 1 has effect from 15 December 1995.

716. (1) Section 374 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of a passenger vehicle with respect to which a registrant would be entitled to claim an input tax refund by reason of the repeal of paragraph 1 of section 206.1 of the said Act, if the registrant acquired the passenger vehicle at the time referred to in the second paragraph of section 252 of the said Act and paid tax in respect of the passenger vehicle at that time."

(2) Subsection 1 has effect from 15 December 1995.

717. (1) Section 375 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except where section 253.1 of the said Act applies."

(2) Subsection 1 has effect from 15 December 1995.

718. (1) Section 376 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of a passenger vehicle with respect to which a registrant would be entitled to claim an input tax refund by reason of the repeal of paragraph 1 of section 206.1 of the said Act, if the registrant acquired the passenger vehicle at the time referred to in section 253.1 of the said Act, repealed by this section, and paid tax in respect of the passenger vehicle at that time."

(2) Subsection 1 has effect from 15 December 1995.

719. (1) Section 377 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except in respect of a passenger vehicle with respect to which the third paragraph of section 252 of the said Act or section 253.1 of the said Act applied."

(2) Subsection 1 has effect from 15 December 1995.

720. (1) Section 380 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of property or a service with respect to which a registrant is entitled to include an amount in determining an input tax refund, by reason of the repeal of section 206.1 of the said Act, in respect of the tax payable by the registrant after 31 July 1995 or paid by the registrant after that date in respect of the last acquisition or bringing into Québec of the property or service."

(2) Subsection 1 has effect from 15 December 1995.

721. (1) Section 381 of the said Act is amended

(1) by replacing subsections 2, 3, 4, 5 and 6 by the following subsections:

"(2) Subsection 1, where it repeals section 288.1 of the said Act, applies in respect of property or a service with respect to which a registrant would be entitled to claim an input tax refund, by reason of the repeal of section 206.1 of the said Act, if the registrant acquired the property or service at the time referred to in section 288.1 of the said Act and paid tax at that time in respect of the property or service.

"(3) However, in applying section 288.1 of the said Act, repealed by subsection 1, the property or service of which the registrant who is a large business receives a supply, which supply would be a non-taxable supply were it not for the striking out of the definition of that expression and in respect of which the registrant is entitled to claim an input tax refund by reason of the repeal of section 206.1 of the said Act, is deemed to have been received by way of a non-taxable supply, as the definition of that expression read before being struck out.

"(4) Subsection 1, where it repeals section 288.2 of the said Act, applies in respect of a road vehicle with respect to which a registrant would be entitled to claim an input tax refund, by reason of the repeal of section 206.1 of the said Act, if the registrant acquired the road vehicle at the time referred to in section 288.2 of the said Act and paid tax at that time in respect of the road vehicle.

"(5) However, in applying section 288.2 of the said Act, repealed by subsection 1, the road vehicle of which a registrant who is a large business receives a supply, which supply would be a non-taxable supply were it not for the striking out of the definition of that expression and in respect of which the registrant is entitled to claim an input tax refund by reason of the repeal of section 206.1 of the said Act, is deemed to have been received by way of a non-taxable supply, as the definition of that expression read before being struck out.

"(6) Furthermore, where section 288.2 of the said Act, repealed by subsection 1, has effect from 1 July 1992, it shall be read as follows:

"**288.2.** Where a prescribed registrant purchased, before 1 July 1992, a road vehicle otherwise than by way of retail sale within the meaning of the Retail Sales Tax Act (R.S.Q., chapter I-1), has manufactured or has acquired such a vehicle by way of a non-taxable supply, and, at any time, the registrant uses it for any purpose not referred to in the definition of "non-taxable supply" which, by reason of section 206.1, would not entitle the registrant to claim an input tax refund in respect of the vehicle if the registrant acquired it at that time for use exclusively in commercial activities of the registrant, the following rules apply:

(1) the registrant is deemed to have made, on the last day of each month

ending after that time, a supply of the vehicle for consideration paid on that last day equal to the amount that is 2.5% of the prescribed value of the vehicle; and

(2) the registrant is deemed to have collected, on the last day of each month ending after that time, tax in respect of the supply calculated on that consideration.";

(2) by replacing subsection 8 by the following subsection:

"(8) Subsection 1, where it repeals section 289.1 of the said Act, applies in respect of a road vehicle with respect to which the person would be entitled to include, in determining an input tax refund of the person by reason of the repeal of section 206.1 of the said Act, tax the person would pay by reason of section 289.1 of the said Act ."

(2) Subsection 1 has effect from 15 December 1995.

722. (1) Section 382 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of supplies made by a registrant to a person of property or a service in respect of which section 206.1 of the said Act applies or would apply, and in respect of which an amount is required to be included in computing the income of the person

(*a*) for the taxation year 1996 where the registrant is, according to section 550, a small or medium-sized business;

(*a*.1) for the taxation year 1997 or a subsequent taxation year where the registrant is, according to sections 550 and 550.1, a small or medium-sized business throughout the taxation year; or

(*b*) for a taxation year determined by order of the Government where the registrant is a large business."

(2) Subsection 1 has effect from 15 December 1995.

723. (1) Section 383 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except where section 243.1, 253.1 or 288.2 applied in respect of property that is a road vehicle."

(2) Subsection 1 has effect from 15 December 1995.

724. (1) Section 400 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of property or a service with respect to which a registrant is entitled to include an amount in determining an input tax refund, by reason of the repeal of section 206.1 of the said Act, in respect of tax payable by the registrant after 31 July 1995 or paid by the registrant after that date in respect of the property or service."

(2) Subsection 1 has effect from 15 December 1995.

725. (1) Section 414 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except in respect of the supply of property or a service with respect to which the recipient is not entitled to claim an input tax refund by reason of section 206.1 of the said Act."

(2) Subsection 1 has effect from 15 December 1995.

726. (1) Section 419 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995, except in respect of the supply of property or a service with respect to which the recipient is not entitled to claim an input tax refund by reason of section 206.1 of the said Act."

(2) Subsection 1 has effect from 15 December 1995.

727. (1) Section 421 of the said Act is amended

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

"(2) Subsection 1 applies

(*a*) in respect of supplies of a 1-800 telephone service and supplies of any other telecommunication service related to a 1-800 telephone service for which the consideration becomes payable after 9 May 1995 and is not paid before 10 May 1995;

(*b*) in respect of supplies of a 1-888 telephone service and supplies of any other telecommunication service related to a 1-888 telephone service for which the consideration becomes payable after 1 March 1996 and is not paid before 2 March 1996.";

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

"(4) Subsection 1 applies in respect of the acquisition or bringing into Québec of property or a service, other than a service referred to in subsection 2, by an operator on behalf of a co-venturer in respect of which the co-venturer,

if the property or service were acquired by the co-venturer, would not be entitled to claim an input tax refund by reason of section 206.1 of the said Act."

(2) Subsection 1 has effect from 15 December 1995.

728. (1) Section 434 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 July 1992. However, subparagraph 5 of the third paragraph of section 351 of the said Act, enacted by subsection 1, is struck out in respect of property with respect to which the person may include, in determining the input tax refund of the person, by reason of the repeal of section 206.1 of the said Act, the amount of tax paid in respect of the property."

(2) Subsection 1 has effect from 15 December 1995.

729. (1) Section 436 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of fuel that is acquired at any time after 31 July 1995 and used to power the propulsion engine of a road vehicle with respect to which the person would be entitled to claim an input tax refund by reason of the repeal of section 206.1 of the said Act if the person were a registrant who acquired the road vehicle at that time and paid tax in respect of the road vehicle at that time."

(2) Subsection 1 has effect from 15 December 1995.

730. (1) Section 442 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies

(*a*) in respect of fuel acquired after 31 July 1995 by a person who is a registrant and with respect to which the person may include, in determining an input tax refund, by reason of the repeal of section 206.1 of the said Act, the tax paid by the person in respect of the fuel;

(*b*) in all other cases, in respect of fuel acquired after 31 December 1995 by a person, other than a registrant."

(2) Subsection 1 has effect from 15 December 1995.

731. (1) Section 443 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of

(*a*) tax paid by a public carrier in respect of fuel acquired or brought into Québec by the public carrier, where that tax may be included in determining an input tax refund of the public carrier by reason of the repeal of section 206.1 of the said Act;

(*b*) tax paid by a public carrier who is a qualifying non-profit organization, in respect of fuel acquired or brought into Québec by the public carrier before 26 March 1997, and tax paid by a public carrier who is a municipality, in respect of fuel acquired or brought into Québec by the public carrier before 1 January 1997, where, under sections 386 and 386.1 of the said Act, those public carriers are entitled to claim an input tax refund in respect of that tax;

(*c*) tax paid by a public carrier who is a qualifying non-profit organization, in respect of fuel acquired or brought into Québec by the public carrier after 25 March 1997, and tax paid by a public carrier who is a municipality, in respect of fuel acquired or brought into Québec by the public carrier after 31 December 1996."

(2) Subsection 1 has effect from 15 December 1995.

732. (1) Section 459 of the said Act is amended by replacing, in subsection 2, paragraph *b* by the following subparagraph:

"(*b*) a road vehicle exempted from registration under the Highway Safety Code (R.S.Q., chapter C-24.2) by reason of the use made of it by the person and acquired by the person by way of a supply otherwise than in the course of a commercial activity and in respect of which section 289.1 of the said Act applies."

(2) Subsection 1 has effect from 15 December 1995.

733. (1) Section 462 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 has effect from 1 August 1995."

(2) Subsection 1 has effect from 15 December 1995.

734. Section 464 of the said Act is amended by replacing the portion of subsection 2 before the second paragraph of section 458.1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) by the following:

"(2) Subsection 1 has effect from 1 August 1995. However, where the second paragraph of section 458.1 of the said Act, enacted by subsection 1, applies for the period beginning on 1 August 1995 and ending on 20 June 1996, it shall be read as follows:".

735. Section 466 of the said Act is amended by replacing the portion of subsection 2 before the second paragraph of section 458.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) by the following:

"(2) Subsection 1 has effect from 1 August 1995. However, where the second paragraph of section 458.2 of the said Act, enacted by subsection 1, applies for the period beginning on 1 August 1995 and ending on 20 June 1996, it shall be read as follows:".

736. Section 470 of the said Act is amended by replacing the portion of subsection 2 before the first paragraph of section 458.6 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) by the following:

"(2) Subsection 1 applies in respect of reporting periods of a registrant beginning after 31 July 1995. However, where the first paragraph of section 458.6 of the said Act, enacted by subsection 1, applies in respect of reporting periods beginning after 31 July 1995 but before 21 June 1996, it shall be read as follows:".

737. Section 488 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies from 21 June 1996."

738. Section 489 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Paragraph 1 of subsection 1 applies from 21 June 1996."

739. (1) Section 490 of the said Act is amended by replacing subsections 2 and 3 by the following subsections:

"(2) Subsection 1, where it strikes out the reference to section 17.2 in section 473 of the said Act, applies in respect of the bringing of a road vehicle into Québec by a registrant after 31 July 1995 where the registrant would be entitled to claim an input tax refund if the registrant paid tax in respect of the vehicle so brought in and, in all other cases, in respect of the bringing of a road vehicle into Québec after an effective date fixed by order of the Government.

"(3) Subsection 1, where it strikes out the reference to section 17.3 in section 473 of the said Act, applies in respect of the bringing of fuel into Québec by a registrant after 31 July 1995 where the registrant would be entitled to claim an input tax refund if the registrant paid tax in respect of the fuel so brought in and, in all other cases, in respect of the bringing of fuel into Québec after 31 December 1995."

(2) Subsection 1 has effect from 15 December 1995.

740. (1) Section 509 of the said Act is amended by replacing subsections 2, 3, 4 and 5 by the following subsections:

"(2) Paragraph 1 of subsection 1 applies in respect of a bringing of a road vehicle into Québec after the effective date fixed by order of the Government.

"(3) Paragraph 2 of subsection 1 has effect from 1 August 1995, except where section 288.2 of the said Act applies.

"(4) Paragraph 3 of subsection 1 has effect from 1 August 1995.

"(5) Paragraphs 4 and 5 of subsection 1 apply in respect of supplies made after an effective date fixed by order of the Government."

(2) Subsection 1 has effect from 15 December 1995.

741. (1) Section 514 of the said Act is amended by striking out paragraph 1 of subsection 1 and subsection 2.

(2) Subsection 1 has effect from 15 December 1995.

742. (1) Section 550 of the said Act, amended by section 380 of chapter 14 of the statutes of 1997, is again amended by replacing the portion before the fifth paragraph by the following:

"**550.** For the purposes of sections 299 to 509, a person is a small or medium-sized business, for the period ending immediately before 26 March 1997, where the total of all amounts each of which is the value of the consideration, other than the consideration referred to in section 75.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that is attributable to goodwill of a business, that became due in the last fiscal year that ended before 1 August 1995 of the person, of an associate of the person or of another person whose business the person continues to carry on, or that was paid in that fiscal year without having become due, to the person, the associate of the person or the other person, for taxable or non-taxable supplies, other than supplies of financial services of the person, associate or other person and supplies by way of sale of immovables that are capital property of the person, associate or other person, made in Québec or outside Québec but in Canada by the person, associate or other person as well as for taxable or non-taxable supplies made outside Canada through a permanent establishment situated in Canada of one of those persons does not exceed $6,000,000.

Furthermore, for the purposes of the first paragraph, where the person is a corporation resulting from the amalgamation of two or more corporations and the person has no fiscal year ended before 1 August 1995, the total of all amounts each of which is the value of the consideration, other than the consideration referred to in section 75.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that is attributable to goodwill of a business, that became due in the last fiscal year that ended before 1 August 1995 of the

amalgamated corporations, or that was paid in that last fiscal year without having become due to the amalgamated corporations for each of the supplies referred to in section 550 must be included in determining the total of the amounts referred to in the first paragraph."

(2) The portion of subparagraph 1 after the first paragraph of section 550 of the said Act, amended by subsection 1, has effect from 15 December 1995. In addition, the references in the French text of the second paragraph of that section 550 to "corporation" and "corporations" are deemed, where it applies after 19 March 1997, to be references to "société" and "sociétés", respectively.

(3) Section 1.1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) applies to subsection 2, with the necessary modifications.

743. The said Act is amended by inserting, after section 550, the following sections:

"**550.1.** For the purposes of sections 299 to 509, a person is a small or medium-sized business, for the period beginning on 26 March 1997 and ending on the last day of the fiscal year of the person which includes that date or throughout a particular fiscal year of the person that begins after 26 March 1997, where the total of all amounts each of which is the value of the consideration, other than the consideration referred to in section 75.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that is attributable to goodwill of a business, that became due in the last fiscal year of the person or of an associate of the person that ended before the beginning of the fiscal year of the person which includes 26 March 1997 or of the particular fiscal year of the person, or that was paid in that last fiscal year without having become due, to the person or associate for each of the taxable or non-taxable supplies, other than supplies of financial services of the person or associate and supplies by way of sale of immovables that are capital property of the person or associate, made in Québec or outside Québec but in Canada by the person or associate as well as for taxable or non-taxable supplies made outside Canada through a permanent establishment situated in Canada of either of those persons does not exceed $6,000,000.

"**550.2.** For the purposes of section 550.1, another person is an associate of a person

(1) for the period beginning on 26 March 1997 and ending on the last day of the fiscal year of the person which includes that date, if the other person is an associate of the person on that date;

(2) for a particular fiscal year of the person that begins after 26 March 1997, if

(*a*) where the particular fiscal year is the first fiscal year of the person, the other person is an associate of the person on the first day of that fiscal year; and

(*b*) in all other cases, the other person is an associate of the person on the last day of the fiscal year of the person that ended before the beginning of the particular fiscal year of the person.

"**550.3.** For the purposes of section 550.1, where the last fiscal period of the person or an associate of the person that ended before the beginning of the fiscal year of the person which includes 26 March 1997 or of the particular fiscal year of the person contains fewer than 365 days, the total of all amounts, for the person or associate, each of which is the value of the consideration, other than the consideration referred to in section 75.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that is attributable to goodwill of a business, that became due in that last fiscal year of the person or of the associate or that was paid in that last fiscal year without having become due, to the person or associate for each of the supplies referred to in section 550.1 (in this section referred to as the "total of determined amounts") is deemed to be equal to the amount determined by the following formula:

$$A \times \frac{365.}{B}$$

For the purposes of this formula,

(1) A is the total of determined amounts for the person or associate for that last fiscal year; and

(2) B is the total number of days in that last fiscal year of the person or associate.

"**550.4.** For the purposes of section 550.1,

(1) the value of the consideration for each supply in respect of which section 334 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) applies must be included in determining the total of amounts referred to in the said section 550.1; and

(2) notwithstanding section 52 of the Act respecting the Québec sales tax, the consideration referred to in section 550.1 does not include the tax paid or payable under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

"**550.5.** For the purposes of section 550.1, where the person is a corporation resulting from the amalgamation of two or more corporations and the fiscal year of the person that is the fiscal year of the person that includes 26 March 1997 or a fiscal year that begins after 26 March 1997, is the first fiscal year of the person, the total of all amounts each of which is the value of the consideration, other than the consideration referred to in section 75.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that is attributable to goodwill of a business, that became due in the last fiscal year of the amalgamated corporations that ended before the beginning of the first fiscal year of the person, or that was paid in that last fiscal year without having

become due to the amalgamated corporations for each of the supplies referred to in section 550.1 must be included in determining the total of amounts referred to in section 550.1."

744. Section 551 of the said Act, amended by section 381 of chapter 14 of the statutes of 1997, is again amended by replacing the portion before subparagraph 1 of the second paragraph by the following:

"**551.** For the purposes of sections 299 to 509, a person is a large business

(1) for the period ending immediately before 26 March 1997, if the total of the amounts determined under section 550 exceeds $6,000,000;

(2) for the period beginning on 26 March 1997 and ending on the last day of the fiscal year of the person which includes that date, if the total of the amounts determined under section 550.1 for that period exceeds $6,000,000;

(3) throughout a particular fiscal year of the person that begins after 26 March 1997, if the total of the amounts determined under section 550.1 for the particular fiscal year exceeds $6,000,000.

Notwithstanding section 550 or 550.1, in addition to a person referred to in the first paragraph, the following persons are large businesses:".

745. The said Act is amended by inserting, after section 551, the following sections:

"**551.1.** Notwithstanding section 550.1, where control of a corporation that is a small or medium-sized business is acquired by a large business at any time after 25 March 1997, the corporation and any corporation which is an associate of the corporation are deemed to be a large business from the day following that time until the end of the fiscal year of the corporation or associate of the corporation which includes that time.

"**551.2.** Notwithstanding section 550.1, where a person (in this section referred to as the "operator") is a participant in a joint venture under an agreement, evidenced in writing, with another person (in this section referred to as the "co-venturer") and makes an election jointly with the co-venturer under section 346 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), the operator is deemed to be a large business in respect of all properties and services that are acquired or brought into Québec by the operator in the period during which the election is in effect in the course of the activities for which the agreement was entered into,

(1) for the period that begins on 26 March 1997 and ends on the last day of the fiscal year of the operator that includes that date if, on 26 March 1997, the co-venturer is a large business; and

(2) throughout a particular fiscal year of the operator that begins after 26 March 1997 if, on the last day of the fiscal year of the co-venturer ended before the beginning of the particular fiscal year of the operator, the co-venturer is a large business.

"**551.3.** Where a person other than an individual is a member of a partnership and acquires, or brings into Québec, property or a service for consumption, use or supply in the course of activities of the partnership but not on behalf of the partnership, the person is deemed to be, in respect of the property or service, at the time tax in respect of the supply or bringing into Québec of the property or service becomes payable by the person and is not paid or at the time tax is paid by the person without having become payable,

(1) notwithstanding section 551, a small or medium-sized business under section 550.1, if the partnership of which the person is a member is a small or medium-sized business at that time under section 550.1; or

(2) notwithstanding section 550.1, a large business, if the partnership of which the person is a member is a large business at that time under subparagraph 2 or 3 of the first paragraph of section 551 or sections 551.1 to 551.3.

"**551.4.** For the purposes of sections 550.1 to 551.3, the fiscal year of a person is the fiscal period of the person within the meaning of section 458.1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1)."

746. (1) Section 552 of the said Act is amended by adding the following paragraph:

"Where the Government fixes the effective date of a provision contained in this Act, the Government may fix a date other than the date of publication in the *Gazette officielle du Québec,* which may in no case be prior to 15 December 1995."

(2) Subsection 1 has effect from 15 December 1995.

747. (1) The said Act, amended by chapter 39 of the statutes of 1996, by chapter 3 of the statutes of 1997, by chapter 14 of the statutes of 1997 and by chapter 31 of the statutes of 1997, is again amended

(1) by replacing "29 November 1996" by "an effective date fixed by order of the Government" in the following provisions:

— subsection 2 of section 305;

— subsection 2 of section 312;

— subsection 2 of section 342;

— subsection 2 of section 412;

— subsection 2 of section 451;

(2) by replacing, in subsection 2 of section 352, "29 November 1996 and is not paid before 30 November 1996" by "an effective date fixed by order of the Government and is not paid before the day after that date";

(3) by replacing "30 November 1996" in the portion of section 342 before paragraph 1 of subsection 3 by "an effective date fixed by order of the Government";

(4) by adding, in paragraphs 1 and 2 of section 81 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), replaced by subsection 3 of section 342, after the words "if he acquired them", the words "at the time they were brought into Québec and paid tax at that time".

(2) Subsection 1 has effect from 15 December 1995.

ACT TO AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

748. (1) Section 289 of the Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 14) is amended by replacing, in paragraph 2 of subsection 3, the words "that would not otherwise have been included" by the words "before the date on which that period begins".

(2) Subsection 1 has effect from 22 May 1997.

749. (1) Section 354 of the said Act is amended by replacing subsection 2 by the following subsection:

"(2) Subsection 1 applies in respect of the supply of a sleeping-accommodation unit billed after 31 March 1997 by the operator of a sleeping-accommodation establishment for occupancy after that date.

However, the operator of a sleeping-accommodation establishment is not required to collect the specific tax on lodging in respect of a sleeping-accommodation unit billed to a travel agent within the meaning of section 2 of the Travel Agents Act (R.S.Q., chapter A-10), a foreign tour operator or a convention organizer who supplies sleeping-accommodation units to attendees, to the extent that the price of the unit has been fixed under an agreement for the purpose of guaranteeing sleeping-accommodation rates for the year 1997 entered into before 1 April 1997 between the operator and the travel agent, foreign tour operator or convention organizer, and that the occupancy of the unit occurs between 1 April 1997 and 1 January 1998."

(2) Subsection 1 has effect from 22 May 1997. However, in the case referred to in the second paragraph of subsection 2 of section 354 of the said Act, amended by subsection 1, where an agreement has been entered into for the purpose of guaranteeing sleeping-accommodation rates for the year 1997,

any amount of tax collected between 1 April 1997 and 16 May 1997 may be refunded by the operator of a sleeping-accommodation establishment to the travel agent, foreign tour operator or convention organizer to the extent that the travel agent, foreign tour operator or convention organizer applies therefor to the said operator of a sleeping-accommodation establishment and that the tax was refunded to the tourists concerned by the travel agent, foreign tour operator or convention organizer before 1 July 1997.

ACT RESPECTING FAMILY BENEFITS

750. (1) Section 43 of the Act respecting family benefits (1997, chapter 57) is amended by replacing, in the portion before subparagraph *n*, replaced thereby, the word "first" by the word "second".

(2) Subsection 1 has effect from 1 September 1997.

751. The first regulation made under paragraphs 8.5, 8.7, 8.8, 11 and 11.2 of section 618 and section 619.4 of the Highway Safety Code (R.S.Q., chapter C-24.2), respectively amended and enacted by sections (*insert the section number in this Act that amends section 618 of the said Code*) and (*insert the section number in this Act that enacts section 619.4 of the said Code*) of this Act, is not subject to the requirements as to publication and coming into force provided by sections 8 and 17 of the Regulations Act (R.S.Q., chapter R-18.1). The regulation shall come into force on the date of its publication in the *Gazette officielle du Québec* or on any later date indicated therein.

752. Tax under section 16 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) is not payable in respect of consideration, or a part thereof, for a supply of property or a service made before 1 April 1997, to the extent that tax under subsection 2 of section 165 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) is payable by reason of the application of sections 348 to 363 of the Excise Tax Act in respect of that consideration or part.

753. The presumption in the second paragraph applies where, by reason of the coming into force of a provision of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) enacted by this Act, a charity, within the meaning assigned by section 1 of the said Act, is deemed under sections 243, 253, 258 and 259 of the said Act to have made a supply of property and to have collected, at a particular time, tax in respect of the supply.

The amount of tax calculated on the fair market value of the property at the particular time is deemed, for the purpose of determining the amount of tax deemed to have been collected or paid at that time under sections 243, 253, 258 and 259, to be nil.

754. Where, at any time during the two-year period beginning on 23 April 1997, a branch or division of a public service body that is a registrant becomes

a small supplier division within the meaning of section 337.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), the following rules apply:

(1) section 341.1 of the said Act does not apply to have the body deemed to have made, immediately before that time, a supply of each property that was held by the body, immediately before that time, for consumption, use or supply in the course of activities engaged in through the division or branch or to have collected tax in respect of the property;

(2) the consumption, use or supply of the property in the course of activities engaged in through the division or branch during the period beginning at that time and ending at the time the branch or division ceases to be a small supplier division is deemed, for the purposes of sections 341.7 to 341.9 of the said Act, not to be in the course of activities engaged in through a small supplier division; and

(3) the third paragraph of section 341.3 of the said Act does not apply for the purpose of determining the net tax of the body for the reporting period of the body that includes that time.

755. Where, during the two-year period beginning on 23 April 1996, the Minister of Revenue receives a request for cancellation of the registration of a public service body, other than a registration referred to in the second paragraph, under section 417 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), the condition described in paragraph 1 of that section to the effect that the person is required to have been registered for at least one year on the last day of a fiscal year of the person within the meaning of section 458.1 of the said Act is not required to be satisfied in respect of the request and where the registration is cancelled at that time, the following rules apply:

(1) section 209 of the said Act does not apply to have the body deemed, at that time or immediately before that time, to have made or received a supply of each property of the body that, immediately before that time, was held by the body, to have collected tax or to have ceased to use those properties, immediately before that time, in the course of commercial activities of the body;

(2) paragraph 2 of section 210 of the said Act does not apply for the purpose of determining the net tax of the body for the last reporting period of the body beginning before that time; and

(3) in determining the input tax refund of the body for the first reporting period ending after the body again became a registrant,

(*a*) section 207 of the said Act does not apply to property referred to in subparagraph 1, and

(*b*) paragraph 1 of section 208 of the said Act does not apply to the tax included in determining an input tax refund of the body for a reporting period of the body ending before that first reporting period.

The registration referred to in the first paragraph is a registration that became effective during the two-year period beginning on 23 April 1996 and for which an application under section 411 of the said Act has been filed by the body.

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