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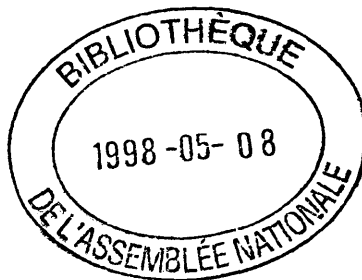
THIRTY-FIFTH LEGISLATURE

Bill 424

**An Act to amend the Taxation Act
and other legislative provisions
of a fiscal nature**

Introduction

**Introduced by
Madam Rita Dionne-Marsolais
Minister for Revenue**



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EXPLANATORY NOTES

The main object of this bill is to harmonize the fiscal legislation in Québec with that of Canada. It consequently gives effect primarily to various harmonization measures contained in the Budget Speech delivered by the Minister of Finance on 9 May 1996 and in the Minister's Statement on 19 December 1996. In addition, the bill gives effect to various measures contained in the Budget Speech delivered by the Minister of Finance on 25 March 1998.

The bill amends the Taxation Act primarily to bring amendments similar to those brought to the Income Tax Act by federal Bill C-92 (S.C., 1997, chapter 25), assented to on 25 April 1997. In particular, the amendments

(1) relax the rules relating to the refundable tax credit for child care expenses ;

(2) eliminate the tax treatment of child support payments that are paid pursuant to a first written agreement or court order made after 30 April 1997 or, in certain cases, that are affected by a written agreement or order made before 1 May 1997 ;

(3) eliminate the eligibility of certain scientific research and experimental development expenses ;

(4) exclude Canadian oil and gas property expenses from the flow-through share mechanism applicable to the natural resource sector ;

(5) extend from 60 days to 12 months after the year end the period during which certain resource expenses can be incurred and be deductible by the purchaser of a flow-through share ;

(6) concern the insurance sector, in particular, to ensure greater concordance between various provisions used by insurance companies in computing their income for a year and those that appear in their financial statements.

The bill also amends the Taxation Act and various other statutes to make technical amendments, including consequential and terminology-related amendments.

LEGISLATION AMENDED BY THIS BILL :

- 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 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 the Québec sales tax (R.S.Q., chapter T-0.1);
- Fuel Tax Act (R.S.Q., chapter T-1);
- Act respecting the application of the Taxation Act (1972, chapter 24);
- Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1);
- Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85).

Bill 424

AN ACT TO AMEND THE TAXATION ACT AND OTHER LEGISLATIVE PROVISIONS OF A FISCAL NATURE

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

TOBACCO TAX ACT

- 1.** Section 2 of the Tobacco Tax Act (R.S.Q., chapter I-2) is amended, in the English text of the definition of “person”, by replacing the words “an estate” by the words “a succession”.
- 2.** Section 2.1 of the said Act is amended by replacing the words “Government departments and agencies and mandataries of the Crown” by the words “on Government departments and bodies and on mandataries of the State”.
- 3.** Section 17.4 of the said Act is amended, in the first, second and third paragraphs, by replacing the words “Her Majesty in right of Québec” by the words “the State”.

TAXATION ACT

- 4.** (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 32 of chapter 85 of the statutes of 1997, is again amended

(1) by replacing, in the English text, the definition of “benefit under a deferred profit sharing plan” by the following:

““benefit under a deferred profit sharing plan” received by a taxpayer in a taxation year means the total of all the amounts received by the taxpayer in the year from a trustee under the plan, minus any amounts deductible under sections 883 and 884 in computing the taxpayer’s income for the year;”;

(2) by inserting the following definition in the appropriate alphabetical order:

““designated insurance property” has the meaning assigned by section 818;”;

(3) by replacing the definition of “office” by the following:

““office” means the position of an individual entitling the individual to a fixed or ascertainable stipend or remuneration and includes a judicial office, the office of a minister of the State or Crown, the office of a member of a legislative assembly, a member of the Senate or House of Commons of Canada or a member of an executive council and any other office, the incumbent of which is elected by popular vote or is elected or appointed in a representative capacity, and also includes the position of member of the board of directors of a corporation even where the individual neither performs administrative functions within the corporation nor receives stipends or a remuneration to hold that position;”;

(4) by inserting the following definition in the appropriate alphabetical order:

““specified tax consequence” for a taxation year means

(a) the consequence of the exclusion from the income or the deduction of an amount referred to in the first paragraph of section 1044;

(b) the consequence of a reduction under section 359.15 of an amount purported to be renounced by a corporation after the beginning of the year to a person or partnership under section 359.2 or 359.2.1 because of the application of section 359.8, determined as if the purported renunciation would, but for section 359.15, have been effective only where the requirements in paragraphs *b* and *c* of section 359.8 and the following requirements had been satisfied:

i. the purported renunciation occurred in the first three months of a particular calendar year,

ii. the effective date of the purported renunciation was the last date of the calendar year preceding the particular calendar year,

iii. the corporation agreed in the calendar year preceding the particular calendar year to issue a flow-through share, within the meaning of section 359.1, to a person or partnership;

iv. the amount does not exceed the amount by which the consideration for which the share was issued exceeds the aggregate of all other amounts purported by the corporation to have been renounced under section 359.2 or 359.2.1 in respect of that consideration, and

v. the form prescribed for the purpose of section 359.12 in respect of the purported renunciation is filed by the corporation with the Minister before 1 May of the particular calendar year;”;

(5) by replacing, in the English text, paragraphs *a* to *c* of the definition of “cost amount” by the following:

“(a) in the case of depreciable property of a prescribed class, the amount that would be that proportion of the undepreciated capital cost to the taxpayer

of property of that class at that time that the capital cost to the taxpayer of the property is of the capital cost to the taxpayer of all property of that class that has not been disposed of by the taxpayer before that time if section 99 were read without reference to paragraph *d.1* thereof and if paragraph *b* and subparagraph *i* of paragraph *d* of that section were read as follows:

“(b) subject to section 284, where a taxpayer, having acquired property for some other purpose, begins at a particular time to use it to gain income, the taxpayer is deemed to have acquired it at that particular time at a capital cost to the taxpayer equal to the fair market value of the property at that time;”;

“i. where the proportion of the use made of the property to gain income has increased at a particular time, the taxpayer is deemed to have acquired at that time depreciable property of that class at a capital cost equal to the proportion of the fair market value of the property at that time that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use made of it;”;

“(b) in the case of capital property, other than depreciable property, of the taxpayer, its adjusted cost base to the taxpayer at that time;

“(c) in the case of property described in an inventory of the taxpayer, its value at that time as determined for the purpose of computing the taxpayer’s income;”;

(6) by replacing, in the English text, paragraph *f* of the definition of “cost amount” by the following:

“(f) in any other case, the cost to the taxpayer of the property as determined for the purpose of computing the taxpayer’s income, except to the extent that that cost has been deducted in computing the taxpayer’s income for any taxation year ending before that time;”;

(7) by replacing the definition of “employment” by the following:

““employment” means the position of an individual in the service of some other person, including the State, Her Majesty or a foreign state or sovereign;”;

(8) by replacing, in the English text, the definition of “employer” by the following:

“ “employer”, in relation to an employee, means the person from whom the employee receives remuneration;”;

(9) by striking out, in the English text, the definition of “estate”;

(10) by replacing the definition of “foreign exploration and development expense” by the following:

““foreign exploration and development expenses” has the meaning assigned by sections 372 and 372.1;”;

(11) by replacing, in the English text, paragraph *a* of the definition of “gross revenue” by the following:

“(a) all amounts received or receivable in the year, depending on the method regularly followed by the taxpayer in computing the taxpayer’s income, otherwise than as or on account of capital; and”;

(12) by replacing, in the English text, the portion of the definition of “home relocation loan” before paragraph *b* by the following:

““home relocation loan” means a loan made to an individual or the individual’s spouse in circumstances where the individual has commenced employment at a new work location in Canada and by reason thereof has moved from the old residence in Canada at which, before the move, the individual ordinarily resided to a new residence in Canada at which, after the move, the individual ordinarily resides, if

(a) the distance between the old residence and the new work location is at least 40 kilometres greater than the distance between the new residence and the new work location;”;

(13) by replacing the definition of “law” by the following:

““law” includes any Act other than an Act of the Parliament of Québec;”;

(14) by replacing the definition of “mineral” and of “tar sands” by the following:

““mineral” includes coal, calcium chloride, kaolin, bituminous sands, oil shale and silica, but does not include petroleum, natural gas or other related hydrocarbons;

““tar sands” means a mineral extracted, otherwise than by a well, from a mineral resource that is a deposit of bituminous sands or oil shales and, for the purpose of applying sections 93 to 104 and 130 and any regulations made under paragraph *a* of section 130 in respect of property acquired after 6 March 1996, includes material extracted by a well from a deposit of bituminous sands or oil shales;”;

(15) by replacing, in the English text, paragraphs *a* to *c* of the definition of “personal or living expenses” by the following:

“(a) the expenses of properties maintained by any person for the use or benefit of the taxpayer or any person connected with the taxpayer by blood relationship, marriage or adoption, but does not include expenses in respect of properties maintained in connection with a business carried on for profit or with a reasonable expectation of profit;

“(b) the expenses, premiums or other costs of an insurance policy, annuity contract or other like contract if the proceeds of the policy or contract are payable to or for the benefit of the taxpayer or a person connected with the taxpayer by blood relationship, marriage or adoption; and

“(c) expenses of properties maintained by a succession or trust for the benefit of the taxpayer as one of the beneficiaries;”;

(16) by replacing paragraph *d* of the definition of “home relocation loan” by the following:

“(d) the loan is designated by the individual to be a home relocation loan, but in no case shall more than one loan in respect of a particular move, or more than one loan at any particular time, be designated as a home relocation loan by the individual;”;

(17) by replacing the portion of the definition of “mineral resource” before paragraph *a* by the following:

““mineral resource” means a base or precious metal deposit, a coal deposit, a bituminous sands deposit or oil shale deposit, or a mineral deposit in respect of which the principal mineral extracted is”;

(18) by replacing, in the English text, the portion of the definition of “retiring allowance” before paragraph *b* by the following:

““retiring allowance” means an amount, other than an amount received as a consequence of the death of an employee, a pension benefit or a benefit referred to in the third paragraph of section 38 in respect of counselling services described therein, received by a taxpayer or, after the taxpayer’s death, by a dependent or a relative of the taxpayer or by the legal representative of the taxpayer

(a) on or after retirement of the taxpayer from an office or employment in recognition of the taxpayer’s long service; or”;

(19) by replacing the definition of “exempt income” by the following:

““exempt income” means property received or acquired by a person in such circumstances that it is, because of any provision of this Part, not included in computing the person’s income, but does not include a dividend on a share;”;

(20) by inserting the following definition in the appropriate alphabetical order:

“ “bituminous sands” means sands or other rock materials containing naturally occurring hydrocarbons, other than coal, which hydrocarbons have

(a) a viscosity, determined in a prescribed manner, equal to or greater than 10,000 centipoise; or

(b) a density, determined in a prescribed manner, equal to or less than 12 degrees API;”;

(21) by replacing, in the English text, paragraph *b* of the definition of “specified member” by the following:

“(b) any member of the partnership, other than a member who is actively engaged in those activities of the partnership business that are other than the financing of the partnership business, or is carrying on a business similar to that carried on by the partnership in its taxation year, otherwise than as a member of a partnership, on a regular, continuous and substantial basis throughout that part of the fiscal period or taxation year during which the business of the partnership is ordinarily carried on and during which the member is a member of the partnership;”;

(22) by inserting, in the English text, the following definition in the appropriate alphabetical order:

““succession” has the meaning assigned by section 646;”.

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

(3) Paragraph 4 of subsection 1 applies from the taxation year 1996. In addition, there are no specified tax consequences for taxation years that ended before 1 January 1996.

(4) Paragraph 10 of subsection 1 applies to taxation years that end after 5 December 1996.

(5) Paragraphs 14, 17 and 20 of subsection 1 have effect from 7 March 1996.

(6) Paragraph 19 of subsection 1 has effect from 1 January 1997.

5. Section 1.2 of the said Act is amended, in the English text, by replacing the portion before paragraph *b* by the following:

“1.2. For the purposes of this Part, other than paragraph *a* of section 618 and Title VI.5.1 of Book IV, the following rules apply:

(a) where a person has disposed of or exchanged a particular property and acquired other property in substitution therefor and subsequently, by one or more further transactions, has acquired other property in substitution for that property or for property already acquired in substitution, the property acquired by any such transaction is deemed to have been substituted for the particular property; and”.

6. (1) Section 2.2 of the said Act is replaced by the following:

“2.2. For the purposes of sections 2.1, 312.3, 312.4, 313 to 313.0.5, 336.0.2, 336.0.3, 336.0.6 to 336.4, 440, 441.1, 454, 456.1 and 462.0.1, the definition of “pre-1972 spousal trust” in section 652.1, sections 653, 656.3, 656.5 and 913, subparagraph *b* of the second paragraph of section 961.17, sections 965.0.9, 965.0.11, 971.2 and 971.3 and Division II.11 of Chapter III.1 of Title III of Book IX, “spouse” and “former spouse” of a particular individual include another individual of the opposite sex who is a party to an annulled or annulable marriage, as the case may be, with the particular individual.”

(2) Subsection 1 has effect from 1 January 1997. In addition, where section 2.2 of the said Act, replaced by subsection 1, applies

(1) after 30 November 1995 and before 10 May 1996, it shall be read with “subsection 2 of section 336” replaced by “subsections 2 and 2.1 of section 336”;

(2) after 9 May 1996, it shall be read with “subsection 2 of section 336” replaced by “subsections 2 to 2.2 of section 336”.

7. Section 7.1 of the said Act is amended, in the English text, by replacing paragraphs *a* and *b* by the following:

“(a) under or as a consequence of the terms of the will or other testamentary instrument of the taxpayer or the taxpayer’s spouse or as a consequence of the law governing the intestacy of the taxpayer or the taxpayer’s spouse; or

“(b) as a consequence of a disclaimer, release or surrender by a person who was a beneficiary under the will or other testamentary instrument or on the intestacy of the taxpayer or the taxpayer’s spouse.”

8. Section 7.2 of the said Act is replaced, in the English text, by the following:

“7.2. A release or surrender by a person who was a beneficiary under the will or other testamentary instrument or on the intestacy of a taxpayer with respect to any property that was property of the taxpayer immediately before the taxpayer’s death is deemed, for the purposes of this Part, not to be a disposition of the property by that person.”

9. (1) Section 7.11.1 of the said Act is replaced by the following:

“7.11.1. For the purposes of this Part and the regulations, a person or partnership beneficially interested in a particular trust includes any person or partnership that has any right, whether immediate or future, whether absolute or contingent or whether conditional on or subject to the exercise of any discretionary power by any person or persons, as a beneficiary under a trust to receive all or any part of the income or capital of the particular trust either directly from the particular trust or indirectly through one or more other trusts.”

(2) Subsection 1 has effect from 1 January 1997.

10. Section 8 of the said Act is replaced, in the English text, by the following:

“3. An individual is deemed to have been resident in Québec throughout a taxation year if, at any time in the year, the individual

(a) sojourned in Québec for a period of, or periods the total of which is, 183 days or more and was ordinarily resident outside Canada;

(b) was a member of the Canadian Armed Forces and was resident in Québec immediately before leaving Canada on military service in a foreign country;

(c) was an ambassador, Member of Parliament, officer, high commissioner, minister, servant or senator of Canada, or an agent-general, officer or servant of a province, and was resident in Québec immediately prior to election, employment or appointment by Canada or the province or received representation allowances in respect of the year;

(d) performed services in a country other than Canada under a prescribed international development assistance program of the Government of Québec or Canada and was resident in Québec at any time in the six month period preceding the day on which those services commenced;

(e) was the spouse of an individual to whom paragraph *b*, *c* or *d* applies living with that individual and was resident in Québec in any previous year; or

(f) was a child of, and dependent for support on, an individual to whom paragraph *b*, *c* or *d* applies and the child's income for the year did not exceed the amount in dollars referred to in the portion of section 752.0.1 before paragraph *a*, that is used in computing the child's deduction under that section.”

11. Section 9 of the said Act is amended by replacing the second paragraph by the following:

“The same applies to the taxpayer's spouse referred to in paragraph *e* of section 8 and the taxpayer's child referred to in paragraph *f* of that section.”

12. Section 12 of the said Act is replaced, in the English text, by the following:

“12. The establishment of a taxpayer means a fixed place where the taxpayer carries on the taxpayer's business or, if there is no such place, the taxpayer's principal place of business. An establishment also includes an office, a branch, a mine, an oil or gas well, a farm, a timberland, a factory, a warehouse or a workshop.

Without restricting the generality of the first paragraph, a corporation has an establishment in each province of Canada in which an immovable owned by the corporation and used principally for the purpose of earning or producing gross revenue that is rent is situated.”

13. Section 13 of the said Act is replaced, in the English text, by the following:

“**13.** Where a taxpayer carries on a business through an employee, agent or mandatary, established in a particular place, who has general authority to contract for the taxpayer’s employer or mandator or who has a stock of merchandise owned by the taxpayer’s employer or mandator from which the taxpayer regularly fills orders which the taxpayer receives, the taxpayer is deemed to have an establishment in that place.

However, a taxpayer is not deemed to have an establishment for the sole reason that the taxpayer has business dealings through a commission agent, a broker or other independent agent or maintains an office or warehouse solely for the purchase of merchandise; similarly, the taxpayer is not deemed to have an establishment in a place solely because of the taxpayer’s control over a subsidiary carrying on business in that place.”

14. Section 20 of the said Act is amended, in the English text, by replacing paragraph *c* by the following:

“(c) a shareholder of two or more corporations is, as shareholder of one of the corporations, deemed to be related to himself, herself or itself as shareholder of each of the other corporations.”

15. Section 21 of the said Act is amended, in the English text, by replacing paragraph *c* by the following:

“(c) persons are connected by adoption if one has been adopted, either legally or in fact, and would be connected with the other by blood relationship or by marriage if filiation by adoption were filiation by blood.”

16. Section 21.9.2 of the said Act is amended, in the English text, by replacing the first paragraph by the following:

“**21.9.2.** The rule provided by section 21.8 does not apply, in the case provided for in paragraph *b* of section 21.9.1, where the owner’s right could be exercised by reason of a default under the terms or conditions of the share or any agreement that related to, and was entered into at the time of, the issuance of the share.”

17. Section 21.18 of the said Act is amended, in the English text, by replacing paragraphs *a* to *d* by the following:

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

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

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

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

18. Section 21.20.3 of the said Act is replaced, in the English text, by the following:

“21.20.3. Shares of the capital stock of a corporation that are owned at any time by a child who is under 18 years of age are deemed, for the purposes of determining whether the corporation is associated at that time with any other corporation that is controlled, directly or indirectly in any manner whatever, by the father or the mother of the child or by a group of persons of which the father or mother is a member, to be owned at that time by the father or the mother, as the case may be, unless, having regard to all the circumstances, it may reasonably be considered that the child manages the business and affairs of the corporation and does so without a significant degree of influence by the father or mother.”

19. Section 21.20.5 of the said Act is replaced, in the English text, by the following:

“21.20.5. For the purposes of sections 21.20 to 21.24, a person who owns shares in two or more corporations is deemed, as shareholder of one of the corporations, to be related to himself, herself or itself as shareholder of each of the other corporations.”

20. Section 21.26 of the said Act is amended, in the English text, by replacing paragraphs *b* and *c* by the following:

“(b) in the case of a loan or lending asset acquired by the taxpayer, the cost to the taxpayer of the loan or lending asset;

“(c) in the case of a loan or lending asset acquired by the taxpayer, the part of the amount by which the principal amount of the loan or lending asset at the time it was so acquired exceeds the cost to the taxpayer of the loan or lending asset that was included in computing the taxpayer’s income for any taxation year ending at or before the particular time;”.

21. Section 21.27 of the said Act is amended, in the English text,

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

“(a) in the case of a loan or lending asset acquired by the taxpayer, the part of the amount by which the cost to the taxpayer of the loan or lending asset exceeds the principal amount of the loan or lending asset at the time it was so acquired that was deducted in computing the taxpayer’s income for any taxation year ending at or before the particular time;”;

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

“(b) all amounts that the taxpayer received at or before the particular time as, on account or in lieu of payment of, or in satisfaction of, the principal amount of the loan or lending asset;”.

22. Section 21.28 of the said Act is amended, in the English text, by replacing paragraph *b* of the definition of “securities lending arrangement” by the following:

“(b) it may reasonably be expected, at the particular time, that the borrower will, at a later time, transfer or return to the lender a security, in this chapter referred to as an “identical security”, that is identical to the security transferred or lent by the lender to the borrower at the particular time.”.

23. Section 21.30 of the said Act is amended, in the English text, by replacing the portion before paragraph *a* by the following:

“21.30. For the purposes of this Part, where, at any time, a lender receives property in satisfaction of or in exchange for the lender’s right under a securities lending arrangement to receive the transfer or return of an identical security and the property received at that time is neither an identical property nor an amount deemed, under section 21.31, to have been received as proceeds of disposition, the following rules apply:”.

24. (1) Section 22 of the said Act is amended

(1) by replacing, in the English text, the first paragraph by the following:

“22. Every person who is an individual resident in Québec on the last day of a taxation year or a corporation having an establishment in Québec at any time in a taxation year shall pay a tax on the taxable income of the individual or the corporation, as the case may be, for that taxation year.”;

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

“The tax payable under sections 750 and 758 to 766.1 by an individual referred to in the first paragraph who carries on a business in Canada but outside Québec is equal to the proportion of the tax that would be determined under those sections but for this paragraph that the individual’s income earned in Québec is of the individual’s income earned in Québec and elsewhere, as determined by the regulations.”

(2) Subsection 1 applies from the taxation year 1995.

25. Section 23 of the said Act is amended, in the English text,

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

“23. When an individual ceases to be resident in Canada in a taxation year, the last day of the individual’s taxation year is, for the purposes of section 22, the last day on which the individual was resident in Canada.

The taxable income, for a taxation year, of an individual referred to in the first paragraph who was resident in Québec on that day is equal to the amount by which the aggregate of the following amounts exceeds such of the deductions permitted by Book IV as can reasonably be considered attributable to a period referred to in subparagraph *a*.”;

(2) by replacing the portion after subparagraph *a* of the second paragraph by the following:

“(b) the amount that would be the individual’s taxable income earned in Canada referred to in section 1091 for any period of the year other than that mentioned in subparagraph *a* if at no time in the year the individual had been resident in Canada, computed as if that period were a whole taxation year and, for the purposes of such computation, an individual who ceased to be resident in Canada in the year in the circumstances mentioned in section 1093 is deemed to have ceased to be resident in Canada in a previous year in the same circumstances.

However, the aggregate of the deductions permitted by Book IV which are referred to in the second paragraph and the deductions mentioned in section 1091, in respect of the individual for the year, shall not exceed the aggregate of the amounts that would have been deductible in computing the individual’s

taxable income for the year had the individual been resident in Canada throughout that year.”

26. Section 24 of the said Act is replaced, in the English text, by the following:

“**24.** The taxable income of an individual referred to in section 22 for a taxation year is the individual’s income for the year plus the additions provided for in Book IV and minus the deductions permitted by that Book, except where the individual was resident in Canada for only part of that taxation year. In the latter case, the individual’s taxable income shall be computed in the manner described in section 23, whether the individual is an individual who became resident in Canada in the year or an individual who ceased to be resident in Canada in the year.”

27. (1) Section 25 of the said Act, amended by section 34 of chapter 85 of the statutes of 1997, is again amended

(1) by replacing, in the English text, the first paragraph by the following:

“**25.** Every individual resident in Canada but outside Québec on the last day of a taxation year shall, if the individual carried on a business in Québec at any time in the year, pay a tax on the individual’s income earned in Québec for the year as determined under Part II.”;

(2) by replacing, in the second paragraph, “sections 750 and 751” and “those sections” by “section 750” and “that section”, respectively;

(3) by replacing, in the English text, the third paragraph by the following:

“For the purposes of this section, where an individual ceases to be resident in Canada in a taxation year, the last day of the individual’s taxation year is the last day on which the individual was resident in Canada.”

(2) Paragraph 2 of subsection 1 applies from the taxation year 1995.

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

(1) by replacing, in the English text, the first paragraph by the following:

“**26.** Every individual who was not resident in Canada at any time in a taxation year and who, in the taxation year or a previous taxation year, was employed in Québec, carried on a business in Québec or disposed of a taxable Québec property, shall pay a tax on the individual’s income earned in Québec for the year as determined under Part II.”;

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

“The tax payable under sections 750 and 752.1 to 766.1 by an individual referred to in the first paragraph is equal to the proportion, which cannot exceed 1, of the tax that would, but for this paragraph, be payable under those sections on the individual’s taxable income earned in Canada as determined under Part II if the individual were resident in Québec, that the individual’s income earned in Québec is of the individual’s income earned in Canada as determined in accordance with section 1090.”

(2) Subsection 1 applies from the taxation year 1995.

29. Section 28 of the said Act is replaced, in the English text, by the following:

“**28.** A taxpayer shall, to determine the income of the taxpayer for a taxation year for the purposes of this Part,

(a) add the aggregate of the taxpayer’s income for the year, other than the taxable capital gains from dispositions of property, from each source inside and outside Canada;

(b) add to the aggregate so determined the amount by which

i. the taxpayer’s taxable capital gains for the year from dispositions of property other than precious property and the taxpayer’s taxable net gain for the year from dispositions of precious property, exceed

ii. the amount by which the taxpayer’s allowable capital losses for the year from dispositions of property other than precious property exceed the taxpayer’s allowable business investment losses for the year; and

(c) subtract from the total so determined

i. the deductions permitted by Title VI in computing the taxpayer’s income for the year, except those taken into account in computing the aggregate of the income referred to in paragraph *a* and, if there is any remainder,

ii. the losses incurred in the year by the taxpayer from an office, employment, business or property and the taxpayer’s allowable business investment losses for the year.”

30. (1) Section 29 of the said Act, amended by section 35 of chapter 85 of the statutes of 1997, is again amended by replacing subparagraph *a* of the third paragraph by the following:

“(a) subject to subparagraph *b*, the deductions permitted in computing the income of the taxpayer under this Part, except those permitted by paragraphs *c* to *e* and *j* of section 336, sections 336.0.3 and 336.0.4, paragraphs *b* to *g* and *i* of section 339 and sections 340 and 341, shall be applied separately to the income from each of those places;”.

(2) Subsection 1, where it replaces subparagraph *a* of the third paragraph of section 29 of the said Act to strike out the reference to paragraphs *a* to *b.0.1* of subsection 1 of section 336 of the said Act and to add a reference to sections 336.0.3 and 336.0.4 of the said Act, applies from the taxation year 1997.

31. Section 32 of the said Act is replaced, in the English text, by the following:

“32. Subject to this Part, an individual’s income for a taxation year from an office or employment is the salary, wages and other remuneration, including gratuities, received by the individual in the year.”

32. Section 35 of the said Act is replaced, in the English text, by the following:

“35. The presumption provided in section 34 may be rebutted if it is established that, irrespective of when the agreement, if any, was made and the terms thereof, the payment was not made for services rendered or to be rendered, to prompt an individual to accept an office or employment or in consideration for a covenant with reference to what the employee is, or is not, to do before the employee becomes or after the employee ceases to be an employee.”

33. (1) Section 36 of the said Act is amended

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

“36. An individual shall, in computing the income of the individual for the year from an office or employment, include all amounts the individual receives or benefits from in that year or which are allocated to the individual for that year, and that are provided for in this chapter.”;

(2) by replacing, in the English text, the second paragraph by the following:

“Such amounts include the fees received by the individual because of, or in the course of, an office or employment, including director’s fees.”

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

34. Section 37 of the said Act is replaced, in the English text, by the following:

“37. The amounts that an individual is required to include in computing the income of the individual include the value of board, lodging and other benefits of any kind whatever received or enjoyed by the individual because of, or in the course of, the individual’s office or employment and the allowances received by the individual, including any amount received, without having to account for its use, for personal or living expenses or for any other purpose.”

35. Section 37.0.1.1 of the said Act is amended, in the English text,

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

“37.0.1.1. For the purposes of section 37, the value of the benefit received or enjoyed by an individual for a taxation year where, because of a previous, the current or an intended office or employment of the individual, the individual is provided coverage during the year under a plan for the insurance of persons, is equal to”;

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

“(a) any premium paid in respect of an individual, because of the individual’s office or employment with an employer, under a plan for the insurance of persons, by a person to whom the employer is related, is deemed to be a premium paid by the employer and not by the person to whom the employer is related;”;

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

“(c) where, in a taxation year, an employer pays, under a plan for the insurance of persons, an additional premium in respect of the coverage or benefits under the plan enjoyed by the employees for a period prior to that year, the additional premium is deemed to be a premium paid at that time in respect of the coverage or benefits enjoyed by the employees for that year and not in respect of the coverage or benefits enjoyed by the employees for the preceding year;”.

36. Section 37.0.1.2 of the said Act is amended, in the English text,

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

“(b) the aggregate of

i. the portion of the aggregate described in subparagraph *a* that the individual has reimbursed to the employer during the year, and”;

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

“However, where, for a particular period, included in the year, throughout which the individual is not entitled to benefit from the provisions of the Health Insurance Act, the benefits enjoyed by the individual in relation to particular coverage under the plan covers at least all the services that would be insured in the individual’s respect under the said Act for the particular period if the individual were entitled to benefit from the provisions of that Act at that time, the amount referred to in subparagraph *a* of the first paragraph for the particular period in respect of the individual in relation to the particular coverage is deemed to be the amount that would otherwise be determined

under that subparagraph for the particular period in respect of the individual in relation to the particular coverage if the exception provided for therein were disregarded, if the premium referred to therein were reduced by the amount prescribed for the particular period in respect of the individual in relation to the particular coverage and if the tax referred to therein were reduced to the portion of the tax which can reasonably be attributed to the premium so reduced.”

37. Section 37.0.1.3 of the said Act is amended, in the English text, by replacing paragraphs *a* and *b* by the following:

“(a) where the amount paid to the employer as a dividend, return or refund of premiums is based on the experience of all coverage and benefits provided by the plan, the proportion of the particular amount that the premium paid by the employer in respect of the coverage and benefits enjoyed by the individual for any period of the year under the plan is of the premium paid by the employer in respect of the coverage and benefits enjoyed by all the employer’s employees for any period of the year under the plan;

“(b) where the amount paid to the employer as a dividend, return or refund of premiums is based on the experience of only certain coverage and benefits provided by the plan, called “particular coverage and benefits” in this paragraph, the proportion of the particular amount that the premium paid by the employer in respect of the particular coverage and benefits enjoyed by the individual for any period of the year under the plan is of the premium paid by the employer in respect of the particular coverage and benefits enjoyed by all the employer’s employees for any period of the year under the plan.”

38. Section 37.0.1.5 of the said Act is amended, in the English text,

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

“(b) where the risk to an employer, or to a person related to the employer, in relation to a particular plan for the insurance of persons, is reduced by the fact that the employer, or the person related to the employer, has purchased excess of loss insurance from an insurer,”;

(2) by replacing the portion of paragraph *c* before subparagraph *a* of the second paragraph of section 37.0.1.4 of the said Act, enacted by that paragraph *c*, by the following:

“(c) where, for a particular period, included in the year, throughout which the individual is not entitled to benefit from the provisions of the Health Insurance Act, the particular benefits enjoyed by the individual in relation to particular coverage under the plan covers at least all the services that would be insured in respect of the individual under the said Act for the particular period if the individual were entitled to benefit from the provisions of that Act at that time, subparagraph *a* of the second paragraph of section 37.0.1.4 shall, in

respect of such particular coverage and benefits, apply without reference to paragraph *a* and read as follows:”.

39. Section 37.0.1.6 of the said Act is amended, in the English text, by replacing the portion before subparagraph *a* of the first paragraph by the following:

“**37.0.1.6.** For the purposes of section 37.0.1.4, where the plan for the insurance of persons provides identical coverage to the employer’s employees under Québec jurisdiction and to the employer’s other employees, the employer must elect, from among the following data in the employer’s possession, the data which will best reflect the coverage provided under the plan to those of the employer’s employees under Québec jurisdiction:”.

40. Sections 37.0.2 and 37.1 of the said Act are replaced, in the English text, by the following:

“**37.0.2.** An individual shall, in computing the income of the individual for the year from an office or employment, include all amounts received by the individual in the year as an allowance or reimbursement in respect of an amount that would, if the individual were entitled to no reimbursements or allowances, be deductible under Chapter III in computing the individual’s income, except to the extent that the amounts so received are otherwise included in computing the individual’s income for the year or are taken into account in computing the amount that is deducted under Chapter III by the individual for the year or a preceding taxation year.

“**37.1.** An individual referred to in section 487.1 shall, in computing the income of the individual for the year from an office or employment, include every amount deemed by section 487.1 to be a benefit received in the year by the individual.”

41. Section 38 of the said Act is amended, in the English text,

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

“**38.** An individual is not required in computing the income of the individual to include the value of benefits derived from contributions paid in respect of the individual by the individual’s employer under”;

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

“(b) a group insurance plan, in relation to coverage against the loss of all or part of the income from an office or employment;”;

(3) by replacing the second and third paragraphs by the following:

“Similarly, the individual is not required in computing the individual’s income to include the value of any benefit derived from group coverage which, otherwise than under an insurance plan referred to in subparagraph *b* of the first paragraph, is provided to the individual under a plan, against the loss of all or part of the income from an office or employment, or the value of any benefit derived from the payment by the individual’s employer of the tax provided for under the Retail Sales Tax Act (chapter I-1) or under Title III of the Act respecting the Québec sales tax (chapter T-0.1), in respect of such group coverage or of the contributions paid by the individual’s employer under subparagraph *b* or *g* of the first paragraph in respect of the individual.

“Furthermore, the individual is not required in computing the individual’s income to include the value of any benefit under a retirement compensation arrangement, an employee benefit plan or an employee trust or under a salary deferral arrangement, except to the extent that the value of the benefit is included under section 37 because of section 47.11, the value of any benefit that was a benefit in relation to the use of an automobile, except if the benefit related to the use of an automobile owned or leased by the individual and is not referred to in section 41.1.2, or the value of any benefit derived from counselling services received by the individual or a person related to the individual in respect of stress management or the use or consumption of tobacco, drugs or alcohol, other than a benefit attributable to an outlay or expense to which section 134 applies, or from counselling services in respect of the re-employment or retirement of the individual.”

42. Section 39.2 of the said Act is amended, in the English text,

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

“39.2. An individual who is a Member of the National Assembly or a member of the Legislature of another province is not required in computing the income of the individual for a taxation year to include an amount equal to the amount by which

(a) the portion of the allowance the individual receives in the year for expenses incident to the discharge of the individual’s duties, which does not exceed one-half of the maximum fixed amount provided by law as payable to the individual by way of salary, indemnity and other remuneration in respect of attendance at a session; exceeds”;

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

“i. 6% of the individual’s income for the year from that office, determined with reference to the allowance the individual receives in the year for expenses incident to the discharge of the individual’s duties,”.

43. Section 39.3 of the said Act is replaced, in the English text, by the following:

“39.3. An individual who is an elected member of a municipal council, a member of the council or executive committee of an urban community, regional county municipality or other similar body established under an Act of the Parliament of Québec, a member of a municipal utilities commission or corporation or any other similar body administering such a service or a member of a public or separate school board or any other similar body administering a school district, is not required in computing the income of the individual for a taxation year to include the allowance the individual receives in the year from the municipality or body for expenses incident to the discharge of the individual’s duties, other than an allowance the individual is not otherwise required to include in computing the individual’s income, to the extent that the allowance does not exceed one-half of the amount, determined without reference to that allowance, paid to the individual in the year by the municipality or body by way of salary or other remuneration.”

44. Section 40.1 of the said Act is amended, in the English text, by replacing the portion before paragraph *b* by the following :

“40.1. For the purposes of paragraph *e* of section 39 and paragraphs *a* and *c* of section 40, an allowance received in the year by the individual referred to therein for the use of a motor vehicle in connection with or in the course of the individual’s office or employment is deemed not to be a reasonable allowance

(*a*) where the measurement of the use of the vehicle for the purpose of the allowance is not based solely on the number of kilometres for which the motor vehicle is used in connection with or in the course of the office or employment ; or”.

45. Section 41 of the said Act is replaced, in the English text, by the following :

“41. Where an employer or a person related to the employer makes an automobile available to an employee of the employer, or to a person related to the employee, in the year, the employee shall, in computing the income of the employee, include the amount by which a reasonable amount corresponding to the value of such right of use for the total number of days in the year during which the automobile was made so available exceeds the aggregate of all amounts each of which is an amount, other than an expense related to the operation of the automobile, paid in the year to the employer or a person related to the employer by the employee or the person related to the employee for the use of the automobile.”

46. Section 41.0.1 of the said Act is amended, in the English text,

(1) by replacing the portion of the first paragraph before the formula by the following :

“41.0.1. For the purposes of section 41, a reasonable amount corresponding to the value of the right of use of an automobile for the total number of days, in this section referred to as the “total available days”, in a year during which the automobile is made available to an individual or to a person related to the individual by an employer or a person related to the employer, both of whom are in this section referred to as “the employer”, is deemed to be equal to the amount determined by the formula”;

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

“i. the total number of kilometres that the automobile is driven, otherwise than in connection with or in the course of the individual’s office or employment, during the total available days, that total number of kilometres however being deemed to be equal to the product referred to in subparagraph ii unless the individual is required by the employer to use the automobile in connection with or in the course of the office or employment and all or substantially all of the distance travelled by the automobile during the total available days is in connection with or in the course of the office or employment, and”;

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

“(f) *F* is the part of the amount determined under subparagraph *e* that may reasonably be regarded as having been payable to the lessor in respect of all or part of the cost to the lessor of insuring against loss of, or damage to, the automobile or liability resulting from the use or operation of the automobile.”

47. Section 41.0.2 of the said Act is amended, in the English text,

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

“41.0.2. Where, in a year, an individual is employed principally in selling or leasing automobiles, an automobile owned by the individual’s employer is made available by the employer to the individual or to a person related to the individual, and the employer has acquired one or more automobiles, the reasonable amount corresponding to the value of the right of use determined under section 41.0.1 shall, at the option of the employer, be computed as if”;

(2) by replacing subparagraphs i and ii of paragraph *b* by the following:

“i. the quotient obtained by dividing the cost to the employer of all new automobiles acquired by the employer in the year for sale or lease in the course of the employer’s business by the number of new automobiles so acquired, and

“ii. the quotient obtained by dividing the cost to the employer of all automobiles acquired by the employer in the year for sale or lease in the course of the employer’s business by the number of automobiles so acquired.”

48. Section 41.1.1 of the said Act is amended, in the English text, by replacing the portion of the first paragraph before the formula by the following:

“41.1.1. Where, in computing the income of the individual for a taxation year as income from an office or employment, a reasonable amount corresponding to the value of the right of use of an automobile is determined under sections 41 to 41.0.2, and an amount in respect of the operation, otherwise than in connection with or in the course of the individual’s office or employment, of the automobile for the period or periods in the year during which the automobile was made available to the individual or a person related to the individual is paid or payable by the individual’s employer or a person related to the individual’s employer, each of whom is in this section referred to as the “payor”, the individual shall, in computing the individual’s income for the year from an office or employment, include the amount determined by the formula”.

49. Section 41.1.2 of the said Act is replaced, in the English text, by the following:

“41.1.2. An individual shall, in computing the income of the individual for a taxation year from an office or employment, include the value of a benefit in respect of the operation of an automobile, other than a benefit to which section 41.1.1 applies or would apply but for the third paragraph thereof, received or enjoyed by the individual in the year because of, or in the course of, the individual’s office or employment.”

50. Section 42 of the said Act is amended, in the English text, by replacing the portion before subparagraph ii of paragraph *b* by the following:

“42. Notwithstanding sections 36 and 37, an individual who is not entitled to the deduction provided for in section 737.25 is not required, in computing the income of the individual for a taxation year from an office or employment, to include any amount received or enjoyed by the individual because of, or in the course of, the office or employment that is the value of, or an allowance, not in excess of a reasonable amount, in respect of expenses the individual has incurred

(a) for the individual’s board and lodging for a period during which the individual was required by the individual’s duties to be away from the individual’s principal place of residence, or to be at the special work site referred to in subparagraph i or at the location referred to in subparagraph ii, for not less than 36 hours, if such board and lodging were

i. at a special work site at which the duties performed by the individual were of a temporary nature and if the individual maintained at another location a self-contained domestic establishment as the individual’s principal place of residence that was, throughout the period, available for the individual’s occupancy and not rented to any other person, and to which, by reason of distance, the individual could not reasonably be expected to have returned daily from the special work site, or

ii. at a location at which, by virtue of its remoteness from any established community, the individual could not reasonably be expected to establish and maintain a self-contained domestic establishment; or

(b) for transportation, in respect of a period described in paragraph *a* during which the individual received board and lodging, or a reasonable allowance in respect of board and lodging, from the individual's employer, between

i. the individual's principal place of residence and the special work site referred to in subparagraph i of paragraph *a*, or".

51. Section 42.0.1 of the said Act, amended by section 42 of chapter 85 of the statutes of 1997, is again amended, in the English text, by replacing the portion before paragraph *a* by the following:

"42.0.1. Notwithstanding sections 36 and 37, an individual is not required in computing the income of the individual for a taxation year from an office or employment to include any amount received or enjoyed by the individual because of, or in the course of, the individual's office or employment that is the value of a benefit, or an allowance, not in excess of a reasonable amount, in respect of expenses incurred by the individual for".

52. Section 43 of the said Act is amended

(1) by replacing, in the English text, subsection 1 by the following:

"43. (1) An individual shall, in computing the income of the individual, include the amounts payable on a periodic basis that the individual receives in respect of the loss of all or part of the individual's income from an office or employment, pursuant to an insurance plan to which the individual's employer has made a contribution, not exceeding the limit fixed under subsection 2.";

(2) by replacing paragraphs *a* and *b* of subsection 2 by the following:

"(a) the aggregate of all such amounts received by the individual pursuant to the plan before the end of the year and after the later of the end of the year 1971 and the end of the last year in which any such amount was included in the individual's income; exceeds

"(b) the aggregate of the contributions made by the individual under the plan before the end of the year and after the later of the end of the year 1967 and the end of the last year in which any amount referred to in paragraph *a* was included in the individual's income."

53. Section 43.2 of the said Act is replaced, in the English text, by the following:

“43.2. An individual shall, in relation to a multi-employer insurance plan, include in computing the income of the individual for a taxation year the portion, which can reasonably be attributed to a plan for the insurance of persons, otherwise than in relation to coverage against the loss of all or part of the income from an office or employment, and which relates to work performed by the individual, of the aggregate of all amounts each of which is an amount that corresponds to the total contribution which, because of a previous, the current or an intended office or employment of the individual, was paid, for any period of the year, by an employer of the individual to the administrator of the multi-employer insurance plan and the related tax, within the meaning of subparagraph *d* of the second paragraph of section 37.0.1.1.”

54. Section 43.3 of the said Act is replaced, in the English text, by the following:

“43.3. Where the amount established in accordance with the second paragraph for a taxation year in respect of an individual in relation to a multi-employer insurance plan exceeds the amount referred to in section 43.2 for the year in respect of the individual in relation to that plan, the individual shall include the excess in computing the income of the individual for the year.

The amount which must be established for a taxation year in respect of an individual in relation to a multi-employer insurance plan is equal to the amount that would be established for the year under sections 37.0.1.1 to 37.0.1.6 in respect of the individual in relation to the coverage, other than coverage against the loss of all or part of the income from an office or employment, enjoyed by the individual under the plan for any period of the year, if the administrator of the plan was the employer of all the employees who enjoy coverage under the plan during the year and if those employees were employees of the administrator and enjoyed that coverage by reason of an office or employment with the latter.

For the purposes of the second paragraph, no amount paid by an individual during the year as contribution to the plan shall be taken into account in computing the amount determined under section 37.0.1.2 or 37.0.1.4 in respect of the individual otherwise than because of a previous, the current or an intended office or employment of the individual.

In addition, for the purposes of this Title, except the third paragraph and this paragraph, where it may reasonably be considered that, at any time in a taxation year, an individual enjoys, otherwise than because of a previous, the current or an intended office or employment of the individual, all or part of a coverage under a multi-employer insurance plan, other than coverage against the loss of all or part of the income from an office, employment or business,

(a) the individual is deemed to be an employee who, during the year, enjoys that coverage, or part thereof, by reason of an office or employment; and

(b) the value of the benefit derived from that coverage or part thereof is deemed to be referred to in section 38.”

55. Section 47 of the said Act is replaced, in the English text, by the following:

“**47.** For the purposes of this chapter, an individual shall, in computing the income of the individual, include the amounts allocated to the individual under a profit-sharing plan as provided by Title I of Book VII, except those referred to in section 860, and the amounts required by section 857 to be included in computing the individual’s income.”

56. Section 47.1 of the said Act is replaced, in the English text, by the following:

“**47.1.** An individual shall, in computing the income of the individual for a taxation year, include all amounts allocated to the individual for that year by a trustee under an employee trust and all amounts received by the individual in the year out of or under an employee benefit plan or from the disposition of any interest in any such plan.”

57. Section 47.2 of the said Act is replaced by the following:

“**47.2.** Notwithstanding section 47.1, an individual is not required in computing the income of the individual to include an amount received in respect of an employee benefit plan, to the extent that such amount represents a return of amounts contributed to the plan by the individual or a deceased employee of whom the individual is an heir or legal representative, a death benefit or an amount that would, but for the deduction provided for in sections 3 and 4, be a death benefit, or a pension benefit attributable to services rendered by a person in a period throughout which the person was not resident in Canada.”

58. Section 47.4 of the said Act is replaced, in the English text, by the following:

“**47.4.** For the purposes of section 47.2, where an amount is received in a taxation year by an individual from an employee benefit plan that was in a preceding year an employee trust, that amount is deemed to be the return of the amounts contributed to the plan by the individual, up to the amount by which the lesser of the amounts determined under paragraph *a* or *b* of section 47.5 exceeds the aggregate of all amounts previously received out of the plan by the individual or a deceased person of whom the individual is an heir or legal representative at a time when the plan was an employee benefit plan, to the extent that the latter amounts were deemed by this section to be a return of amounts contributed to the plan.”

59. Section 47.5 of the said Act is amended, in the English text, by replacing paragraphs *a* and *b* by the following:

“(a) the amount by which the aggregate of all amounts allocated to the individual or a deceased person of whom the individual is an heir or legal representative, by a trustee of the plan at a time when the plan was an employee trust, exceeds the aggregate of all amounts previously paid out of the plan to or for the benefit of the individual or the deceased person at that time; and

“(b) the portion of the amount by which the cost amount to the plan of its property immediately before it ceased to be an employee trust exceeds the liabilities of the plan at that time that the amount determined under paragraph *a* in respect of the individual is of the aggregate of amounts determined under that paragraph in respect of all individuals who were beneficiaries under the plan immediately before it ceased to be an employee trust.”

60. Section 47.6 of the said Act is amended, in the English text, by replacing the first paragraph by the following:

“47.6. For the purposes of this division, “employee benefit plan” means an arrangement under which contributions are made by an employer or by a person with whom the employer does not deal at arm’s length to another person, referred to in this Part as the “custodian” of an employee benefit plan, and under which one or more payments are to be made to or for the benefit of employees or former employees of the employer or persons who do not deal at arm’s length with any such employee or former employee, other than a payment that, if this chapter were read without reference to the third paragraph of section 38 and to section 47.1, would not be required to be included in computing the income of the recipient.”

61. Section 47.10 of the said Act is amended, in the English text, by replacing the portion before paragraph *a* by the following:

“47.10. An individual shall, in computing the income of the individual for a taxation year, include an amount equal to the amount by which the aggregate of all amounts received by any person as benefits, other than amounts received by or from a trust governed by a salary deferral arrangement, in the year out of or under a salary deferral arrangement in respect of the individual exceeds the amount by which”.

62. Section 47.12 of the said Act is replaced, in the English text, by the following:

“47.12. Where at the end of a taxation year any person has a right under a salary deferral arrangement, other than a trust governed by a salary deferral arrangement, in respect of an individual to receive a deferred amount, an amount equal to any interest or other additional amount that accrued to, or for the benefit of, that person to the end of the year in respect of the deferred amount is deemed at the end of the year, for the purposes only of section 47.11, to be a deferred amount that the person has a right to receive under the arrangement.”

63. Section 47.13 of the said Act is amended, in the English text, by replacing paragraph *a* by the following:

“(a) was in respect of services rendered by an employee who was not resident in Canada at the time the services were rendered, or was resident in Canada for a period, in this section referred to as an “excluded period”, of not more than 36 of the 72 months preceding the time the services were rendered and was an employee to whom the arrangement applied before the employee became resident in Canada; and”.

64. Section 47.14 of the said Act is amended, in the English text,

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

“**47.14.** For the purposes of this Part, other than this section, where deferred amounts under a salary deferral arrangement in respect of an individual, in this section referred to as “that arrangement”, are required to be included as benefits under section 37 in computing the individual’s income and that arrangement is part of a plan or arrangement, in this section referred to as “the plan”, under which amounts or benefits not related to the deferred amounts are payable or provided, the following rules apply:

(a) that arrangement is deemed to be a separate arrangement independent of other parts of the plan of which it is a part;

(b) where any person has a right to a deferred amount under that arrangement, an amount received by the person as a benefit at any time out of or under the plan is deemed to have been received out of or under that arrangement except to the extent that it exceeds the amount by which”;

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

“*ii.* the aggregate of all deferred amounts received by any person before that time out of or under the plan that were deemed by this paragraph to have been received out of or under that arrangement, and all deferred amounts under that arrangement that were deducted under section 78.2 in computing the individual’s income for the year or a preceding taxation year.”

65. Section 47.15 of the said Act is amended, in the English text, by replacing the first paragraph by the following:

“**47.15.** For the purposes of this division, a salary deferral arrangement in respect of an individual means a plan or arrangement, whether funded or not, under which any person has a right in a taxation year to receive an amount after the end of the year where it is reasonable to consider that one of the main purposes for the creation or existence of the right is to postpone tax payable under this Part by the individual in respect of an amount that is, or is on account or in lieu of, salary or wages of the individual for services rendered by the individual in the year or a preceding taxation year.”

66. Section 47.16 of the said Act is amended, in the English text, by replacing paragraphs *j* and *k* by the following:

“(j) a plan or arrangement established for the purpose of deferring the salary or wages of a professional athlete for the services of the athlete as such with a team that participates in a league having regularly scheduled games,

“(k) a plan or arrangement under which an individual has a right to receive a bonus or similar payment in respect of services rendered by the individual in a taxation year to be paid within three years following the end of the year, or”.

67. Section 49 of the said Act is replaced, in the English text, by the following:

“**49.** Subject to section 49.2, an employee who acquires a share under the agreement referred to in section 48 is deemed to receive because of the employee’s office or employment, in the taxation year in which the employee acquires the share, a benefit equal to the amount by which the value of the share at the time the employee acquires it exceeds the aggregate of the amount paid or to be paid to the corporation by the employee for the share and the amount paid by the employee to acquire the right to acquire the share.”

68. Section 49.2 of the said Act is amended, in the English text,

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

“**49.2.** Section 49 shall be read with the words “in which the employee acquires the share” replaced by the words “in which the employee disposes of or exchanges the share” where”;

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

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

69. Section 50 of the said Act is replaced, in the English text, by the following:

“**50.** An employee who transfers or disposes of rights under the agreement referred to in section 48 in respect of shares to a person with whom the employee is dealing at arm’s length, is deemed to receive because of the employee’s office or employment, in the taxation year in which the employee makes the transfer or disposition, a benefit equal to the amount by which the value of the consideration for the transfer or disposition exceeds the amount paid by the employee to acquire those rights.”

70. Section 51 of the said Act is amended, in the English text, by replacing the first paragraph by the following:

“51. If rights of the employee under the agreement referred to in section 48 have, by one or more transactions between persons not dealing at arm’s length, become vested in a person who exercises the employee’s right to acquire shares under the agreement, the employee is deemed, subject to the second paragraph, to receive because of the employee’s office or employment, in the taxation year in which the person acquired the shares, a benefit equal to the amount by which the value of the shares at the time that person acquired them exceeds the aggregate of the amount paid or to be paid to the corporation by that person for the shares and the amount paid by the employee to acquire the right to acquire the shares.”

71. Section 52 of the said Act is amended by replacing, in the English text, the first paragraph by the following:

“52. If rights of the employee under the agreement referred to in section 48 have, by one or more transactions between persons not dealing at arm’s length, become vested in a particular person who transfers or disposes of the rights to another person with whom the particular person is dealing at arm’s length, the employee is deemed, subject to the second paragraph, to receive because of the employee’s office or employment, in the taxation year in which the particular person made the transfer or disposition, a benefit equal to the amount by which the value of the consideration for the transfer or disposition exceeds the amount paid by the employee to acquire those rights.”

72. Sections 52.1 and 53 of the said Act are replaced, in the English text, by the following:

“52.1. Where an employee has died and, immediately before the death, the employee owned a right to acquire shares under the agreement referred to in section 48, the employee is deemed to have received because of the employee’s office or employment, in the taxation year in which the employee died, a benefit equal to the amount by which the value of the right immediately after the death exceeds the amount paid by the employee to acquire the right, and sections 50 to 52 do not apply.

“53. Where a trustee holds a share for an employee in any manner whatever, the employee is deemed, for the purposes of this division and sections 725.2 and 725.3, to acquire the share at the time the trustee commences so to hold it and to exchange or dispose of the share at the time the trustee exchanges it or disposes of it to any person other than the employee.”

73. Section 58.1 of the said Act is replaced, in the English text, by the following:

“58.1. A market maker who is an employee shall, in computing the income of the market maker for the year from an office or employment, include every amount the market maker is required to include under Title VIII of Book VII in computing income.”

74. Section 59 of the said Act is replaced, in the English text, by the following:

“59. An individual shall not, in computing the income of the individual for a taxation year from an office or employment, deduct any amount except as provided in this chapter and only to the extent that such amount may reasonably be regarded as applicable to that office or employment.”

75. Section 62.0.1 of the said Act is amended, in the English text, by replacing the portion before paragraph *c* by the following:

“62.0.1. The amount that may be deducted by an individual under section 62 in computing the income of the individual for a taxation year from an office or employment shall be reduced by the least of

(a) 6% of the commissions and other similar amounts determined by reference to the sales made or contracts negotiated, that the individual received in the year in relation to such office or employment;

(b) the amount that, but for this section, would be deductible by the individual under section 62 in computing the individual’s income for the year from such office or employment; and”.

76. Section 63 of the said Act, replaced by section 47 of chapter 85 of the statutes of 1997, is again replaced, in the English text, by the following:

“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 individual’s 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 because 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.”

77. Sections 63.1 and 64 of the said Act are replaced, in the English text, by the following:

“63.1. An individual may deduct amounts expended by the individual in the year in respect of motor vehicle expenses incurred for travelling in the course of the individual’s duties, if the individual is required to carry on all or part of the duties away from the place of business of the individual’s employer or in different places and is required under the contract of employment to pay the motor vehicle expenses incurred by the individual in the performance of the individual’s duties.

An individual shall not claim any deduction under this section if the individual receives an allowance for the use of a motor vehicle that is not required to be included in computing the individual’s income for the year because of section 39 or 40, or if the individual claims a deduction for the year under section 62.

“64. An individual who is entitled, in the year, to a deduction under section 62, 63 or 63.1 may also deduct any interest paid by the individual in the year on borrowed money used for the purpose of purchasing, or an amount payable for the purchase of, a motor vehicle that is used by the individual in the performance of the individual’s duties, and such part of the capital cost of such a motor vehicle as is allowed by regulation.

The individual may also deduct any interest paid by the individual in the year on borrowed money used for the purpose of purchasing an aircraft that is required for use in the performance of the individual’s duties, and such part of the capital cost of the aircraft as is allowed by regulation.”

78. Sections 64.2 and 64.3 of the said Act are replaced, in the English text, by the following:

“64.2. Notwithstanding any other provision of this Act, an individual who uses an aircraft that is owned or rented by the individual for travelling in the course of the individual’s duties shall not deduct the aggregate of the amounts that would otherwise be deductible pursuant to section 62, 63 or 64, in respect of the aircraft, except to the extent that such aggregate is reasonable in the circumstances having regard to the cost and availability of other modes of transportation.

“64.3. No amount may be deducted in the year by an individual under section 62, 63 or 63.1, unless the individual files with the Minister, together with the individual’s fiscal return for the year under this Part, a prescribed form signed by the individual’s employer certifying that the conditions set out in that section were met in the year in respect of the individual.”

79. Sections 65 to 66 of the said Act are replaced, in the English text, by the following:

“65. An individual shall not, in computing a deduction under section 62 or 63, deduct an amount expended for a meal unless the meal is consumed during a period while the individual was required by the individual’s duties to

be away, for not less than 12 hours, from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment to which the individual ordinarily reports for work is located.

"65.1. An individual who regularly collects or delivers goods for the individual's employer by means of vehicles that are used by the employer to transport goods away from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment to which the individual ordinarily reports for work is located, may deduct the amounts disbursed by the individual in the year for meals and lodging while the individual is required by the individual's duties to be away for not less than 12 consecutive hours from that territory or metropolitan area or to go to a place located at least 80 kilometres from that territory or metropolitan area, to the extent that the individual is not reimbursed and is not entitled to be reimbursed in respect thereof.

"66. Where an individual is an employee of a person whose principal business is transport and the individual's duties require the individual, regularly, to travel away from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment to which the individual ordinarily reports for work is located, on vehicles used by the employer for transport, the individual may deduct the amounts disbursed by the individual in the year for meals and lodging while the individual is so away from that territory or metropolitan area, to the extent that the individual is not reimbursed and is not entitled to be reimbursed in respect thereof."

80. Section 67 of the said Act is amended, in the English text, by replacing the first and second paragraphs by the following:

"67. An individual who is employed by a railway company may deduct the amounts disbursed by the individual in the year for meals and lodging while performing, away from the individual's ordinary place of residence, the duties of a relieving telegrapher or station agent or of a maintenance and repair worker.

"There may also be deducted any such amounts disbursed by the individual while

(a) away from the local municipal territory and, as the case may be, the metropolitan area where the individual's home terminal is located; and

(b) at a location from which, by reason of distance from the place where the individual maintains a self-contained domestic establishment in which the individual resides and actually supports a spouse or a person dependent on the individual for support and connected with the individual by blood relationship, marriage or adoption, the individual cannot reasonably be expected to return daily to that place."

81. (1) Section 87 of the said Act, amended by section 49 of chapter 85 of the statutes of 1997, is again amended

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

“(e.1) where the taxpayer is an insurer, any amount prescribed in respect of the insurer for the year;”;

(2) by adding, after paragraph z.3, the following paragraph:

“(z.4) 25% of the taxpayer’s resource loss for the year, as determined by regulation.”

(2) Paragraph 1 of subsection 1 applies from the taxation year 1996.

(3) Paragraph 2 of subsection 1 applies to taxation years that begin after 31 December 1996.

82. (1) Section 89 of the said Act is amended

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

“89. A taxpayer shall, in computing the income of the taxpayer from a business or property for a taxation year, include any amount that becomes receivable in the year, by virtue of an obligation imposed by statute or a contractual obligation substituted for an obligation imposed by statute, by a person referred to in section 90, as a royalty, tax, rental or bonus, or as an amount that can reasonably be regarded as being in lieu of any such amount, or in respect of the late receipt or non-receipt of any such amount, and that can reasonably be regarded as being in relation to

(a) the acquisition, development or ownership of a Canadian resource property of the taxpayer in respect of which the obligation imposed by statute or the contractual obligation, as the case may be, applied, or;”;

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

“i.1 of sulphur from a natural accumulation of petroleum or natural gas, from an oil or gas well or from a mineral resource;”;

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

“For the purposes of subparagraph *b* of the first paragraph, the natural accumulation of petroleum or natural gas, the oil or gas well or the mineral resource referred to therein must be situated in Canada and be property in respect of which the taxpayer has an interest to which the obligation imposed by statute or the contractual obligation, as the case may be, applies.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1996.

83. Section 90 of the said Act is replaced by the following:

“90. Section 89 applies where the amount mentioned therein becomes receivable by the State or Her Majesty in right of Canada or a province, by a mandatary of the State or Her Majesty in right of Canada or a province, or by a corporation, commission or association that is controlled by the State or Her Majesty in right of Canada or a province or a mandatary of the State or Her Majesty in right of Canada or a province.”

84. (1) The said Act is amended by inserting, after section 96.1, the following section:

“96.2. For the purpose of determining whether property meets the prescribed criteria in respect of prescribed energy conservation property, the Technical Guide to Class 43.1, as amended from time to time and published by the Department of Natural Resources of Canada, shall apply conclusively with respect to engineering and scientific matters.”

(2) Subsection 1 applies in respect of property acquired after 21 February 1994. However, where section 96.2 of the said Act, enacted by subsection 1, applies before 12 January 1995, it shall be read with “Department of Natural Resources” replaced by “Department of Energy, Mines and Resources”.

85. (1) Section 97 of the said Act is replaced by the following:

“97. Where one or more depreciable properties of a taxpayer that were included in a prescribed class, in this section referred to as the “old class”, become included at any time, in this section referred to as the “transfer time”, in another prescribed class, in this section referred to as the “new class”, the following rules apply for the purpose of determining at any subsequent time the undepreciated capital cost to the taxpayer of depreciable property of the old class and the new class:

(a) for the purposes of subparagraph i of paragraph e of section 93, each of those depreciable properties is deemed to be property of the new class acquired before the subsequent time and never to have been included in the old class; and

(b) the taxpayer shall deduct in computing the total depreciation allowed to the taxpayer before the subsequent time in respect of property of the old class, and add in computing the total depreciation allowed to the taxpayer before the subsequent time in respect of property of the new class, an amount equal to the greater of

i. the amount by which the aggregate of all amounts each of which is the capital cost to the taxpayer of each of those depreciable properties exceeds the undepreciated capital cost to the taxpayer of depreciable property of the old class at the transfer time, and

ii. the aggregate of all amounts each of which is an amount that would have been deducted under paragraph *a* of section 130 in respect of a depreciable property that is one of those depreciable properties in computing the taxpayer's income for a taxation year that ended before the transfer time and at the end of which the property was included in the old class, had the property been the only property included in a separate prescribed class and had the rate prescribed by the regulations made under that paragraph *a* in respect of that separate prescribed class been the effective rate that was used by the taxpayer to determine the amounts deducted by the taxpayer under that paragraph *a* in respect of property of the old class for the year."

(2) Subsection 1 applies in respect of properties of a prescribed class that, after 31 December 1996, become included in property of another prescribed class.

86. Section 99 of the said Act is amended, in the English text,

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

"(a) where a taxpayer, having acquired property to gain income, begins at a later time to use it for some other purpose, the taxpayer is deemed to have disposed of it at that time for proceeds of disposition equal to its fair market value and to have reacquired it immediately thereafter at a cost equal to that fair market value;"

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

"(b) subject to section 284, where a taxpayer, having acquired property for some other purpose, begins at a particular time to use it to gain income, the taxpayer is deemed to have acquired it at that time at a capital cost to the taxpayer equal to the lesser of";

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

"ii. the aggregate of its cost to the taxpayer at that time determined without reference to this paragraph, paragraph *a* and subparagraph *ii* of paragraph *d*, and $\frac{3}{4}$ of the amount by which the fair market value of the property at that time exceeds the aggregate of the cost to the taxpayer of the property at that time determined without reference to this paragraph, paragraph *a* and subparagraph *ii* of paragraph *d*, and $\frac{4}{3}$ of the amount deducted by the taxpayer under Title VI.5 of Book IV in respect of the amount by which the fair market value of the property at that time exceeds the cost to the taxpayer of the property at that time determined without reference to this paragraph, paragraph *a* and subparagraph *ii* of paragraph *d*;"

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

"i. where the proportion of the use made of the property to gain income has increased at a particular time, the taxpayer is deemed to have acquired at that

time depreciable property of that class at a capital cost equal to the aggregate of the proportion of the lesser of its fair market value at that time, and its cost to the taxpayer at that time determined without reference to this subparagraph, subparagraph ii and paragraph *a* that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of the property, and $\frac{3}{4}$ of the amount by which the amount deemed under section 283 to be the taxpayer's proceeds of disposition of the property in respect of the change in the use made of the property exceeds the aggregate of that proportion of the cost to the taxpayer of the property at that time determined without reference to this subparagraph, subparagraph ii and paragraph *a*, that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of the property, and $\frac{4}{3}$ of the amount deducted by the taxpayer under Title VI.5 of Book IV in respect of the amount by which the amount deemed under section 283 to be the taxpayer's proceeds of disposition of the property in respect of the change in the use made of the property exceeds that proportion of the cost to the taxpayer of the property at that time determined without reference to this subparagraph, subparagraph ii and paragraph *a* that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of the property;"

(5) by replacing subparagraph ii of paragraph *d* by the following:

"ii. where the proportion of the use made of the property to gain income has decreased at a particular time, the taxpayer is deemed to have disposed at that time of depreciable property of that class and the proceeds of disposition are deemed to be an amount equal to the proportion of the fair market value of the property as of that time that the amount of the decrease in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of it;"

(6) by replacing subparagraph iii of paragraph *d.1* by the following:

"iii. where the cost or capital cost, as the case may be, of the property to the transferor immediately before the transferor disposed of it exceeds the capital cost of the property to the particular person or partnership at that time determined without reference to this paragraph, the capital cost of the property to the particular person or partnership at that time is deemed to be an amount equal to the cost or capital cost, as the case may be, of the property to the transferor immediately before the transferor disposed of it and the excess is deemed to have been allowed as depreciation to the particular person or partnership in respect of the property under regulations made under paragraph *a* of section 130 in computing the income of the particular person or partnership for taxation years ending before the acquisition of the property by the particular person or partnership;"

(7) by replacing paragraph *d.1.1* by the following:

“(d.1.1) where a taxpayer is deemed by subparagraph *a* of the first paragraph of section 726.9.2 to have disposed of and reacquired a property that immediately before the disposition was a depreciable property, the taxpayer is deemed to have acquired the property from himself, herself or itself and, in so having acquired the property, not to have been dealing with himself, herself or itself at arm’s length;”;

(8) by replacing subparagraph ii of paragraph *d.4* by the following:

“ii. the amount that immediately before that time was the cost amount to that person of the passenger vehicle minus, as the case may be, the amount deducted by that person under paragraph *a* of section 130 in respect of the passenger vehicle in computing income for that person’s taxation year in which that person disposed of the passenger vehicle, and”;

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

“(e) for the purposes of this Part, a taxpayer who has acquired prescribed property between 3 December 1970 and 1 April 1972 for use in a prescribed manufacturing or processing business carried on by the taxpayer, is deemed to have acquired that property at a capital cost equal to 115% of the amount that, but for this paragraph and section 180, would have been the capital cost of that property, if that property was not used for any purpose whatever before it was acquired by the taxpayer.”

87. Section 101.5 of the said Act is amended, in the English text,

(1) by replacing, in paragraph *a*, the word “estates” by the word “successions”;

(2) by replacing the word “estate” wherever it appears in paragraph *b* by the word “succession”.

88. (1) The said Act is amended by inserting, after section 101.7, the following section:

“101.8. For the purposes of this Part,

(a) where a taxpayer, to acquire a property prescribed in respect of the taxpayer, is required under the terms of a contract entered into after 6 March 1996 to make a payment to the State, to Her Majesty in right of Canada or a province or to a Canadian municipality in respect of costs incurred or to be incurred by the recipient of the payment, the taxpayer is deemed to have acquired the property at the later of the time the payment is made and the time at which those costs are incurred at a capital cost equal to the portion of that payment made by the taxpayer that can reasonably be regarded as being in respect of those costs;

(b) where at any time after 6 March 1996 a taxpayer incurs a cost on account of capital for the building of, for the right to use or in respect of, a prescribed property, and the amount of the cost would, if this paragraph did not apply, not be included in the capital cost to the taxpayer of depreciable property of a prescribed class, the taxpayer is deemed to have acquired the property at that time at a capital cost equal to the amount of the cost;

(c) where a taxpayer acquires an intangible property as a consequence of making a payment to which subparagraph *a* of this paragraph applies or incurring a cost to which subparagraph *b* of this paragraph applies,

i. the property referred to in subparagraph *a* or *b* of this paragraph is deemed to include the intangible property, and

ii. the portion of the capital cost referred to in subparagraph *a* or *b* of this paragraph that applies to the intangible property is deemed to be equal to the amount determined by the formula

$$A \times B/C;$$

(d) any property deemed by subparagraph *a* or *b* of this paragraph to have been acquired at any time by a taxpayer as a consequence of making a payment or incurring a cost is deemed

i. to have been acquired for the purpose for which the payment was made or the cost was incurred, and

ii. to be owned by the taxpayer at any subsequent time that the taxpayer benefits from the property.

In the formula provided for in subparagraph ii of subparagraph *c* of the first paragraph,

(a) *A* is the lesser of the amount of the payment made or cost incurred and the amount described in subparagraph *c* of this paragraph;

(b) *B* is the fair market value of the intangible property at the time the payment was made or the cost was incurred; and

(c) *C* is the fair market value at the time the payment was made or the cost was incurred of all intangible properties acquired as a consequence of making the payment or incurring the cost."

(2) Subsection 1 applies to taxation years that end after 6 March 1996.

89. (1) Section 133.3 of the said Act is replaced by the following:

"133.3. A taxpayer shall not deduct the amounts paid by the taxpayer as judicial or extrajudicial expenses incurred in respect of a divorce, a judicial separation, a written separation agreement, a right to receive an original

amount that is a support amount as defined in the first paragraph of section 312.3 or an original obligation to pay an amount that is a support amount as defined in the first paragraph of section 336.0.2.”

(2) Subsection 1 has effect from 1 January 1997.

90. (1) The said Act is amended by inserting, after section 133.3, the following section:

“**133.4.** A taxpayer shall not, in computing the income of the taxpayer from a business or property for a taxation year, deduct any amount paid or payable by the taxpayer for services in respect of a retirement savings plan or retirement income fund under which the taxpayer is the annuitant.”

(2) Subsection 1 applies in respect of amounts paid or payable after 5 March 1996.

91. (1) Section 144 of the said Act is amended, in subsection 1,

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

“**144.** (1) A taxpayer shall not deduct any amount paid or payable by virtue of an obligation imposed by statute or a contractual obligation substituted for an obligation imposed by statute, to a person referred to in section 90, as a royalty, tax, rental or bonus, or as an amount that can reasonably be regarded as being in lieu of any such amount, or in respect of the late payment or non-payment of any such amount, and that can reasonably be regarded as being in relation to”;

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

“i.1. sulphur from a natural accumulation of petroleum or natural gas situated in Canada, from an oil or gas well situated in Canada or from a mineral resource situated in Canada;”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1996.

92. (1) Section 152 of the said Act is amended by replacing the second paragraph by the following:

“The same applies to reserves in respect of insurance policies, except that in computing an insurer’s income for a taxation year from an insurance business, other than a life insurance business, carried on by it, there may be deducted any amount not exceeding the amount prescribed in respect of the insurer for the year.”

(2) Subsection 1 applies from the taxation year 1996.

93. (1) Section 157 of the said Act is amended

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

“(n) such portion claimed by the taxpayer of an amount that is an outlay or expense made or incurred by the taxpayer before the end of the year that is a cost to the taxpayer of any substance injected before that time into a natural reservoir to assist in the recovery of petroleum, natural gas or related hydrocarbons to the extent that that portion was not otherwise deducted in computing the taxpayer’s income for the year or deducted in computing the taxpayer’s income for any preceding taxation year;”;

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

“(n.1) the tax, if any, under Part III.14, under Part XII.6 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or under a law of a province other than Québec under which tax similar to that payable under Part III.14 is imposed, paid in the year or payable in respect of the year by the taxpayer, depending on the method regularly followed by the taxpayer in computing the taxpayer’s income;”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1996.

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

94. Section 157.1 of the said Act is replaced by the following:

“**157.1.** The deduction allowed under paragraph *j* of section 157, as it read before being struck out, to a taxpayer for a fiscal period referred to therein shall be reduced by an amount equal to 3% of that proportion of the lesser of the cost amount to the taxpayer of the taxpayer’s qualifying inventory that was disposed of during the fiscal period by the taxpayer in a specified transaction to a person with whom the taxpayer was not dealing at arm’s length and the cost amount to the taxpayer of the taxpayer’s qualifying inventory at the beginning of the fiscal period, that the number of days in the fiscal period and after the date of disposition is of 365.”

95. Section 157.2 of the said Act is amended by replacing paragraphs *a* and *b* by the following:

“(a) “qualifying inventory” means tangible property described in paragraph *j* of section 157, as it read before being struck out, other than an immovable or an interest therein or property of a taxpayer that becomes property of a new corporation by virtue of an amalgamation or merger;

“(b) “specified transaction” means a distribution by a corporation of qualifying inventory on or in the course of its winding-up, a disposition by a taxpayer of all or a substantial part of the taxpayer’s qualifying inventory, or a disposition at a particular time of qualifying inventory by a taxpayer one of

the principal purposes of which is to permit a person with whom the taxpayer does not deal at arm's length to obtain a deduction in respect thereof under paragraph *j* of section 157, as it read before being struck out, for that person's first fiscal period commencing after the particular time, but does not include any such distribution or disposition by a taxpayer to another person during a fiscal period of that other person that ends at least 11 months after the commencement of the fiscal period of the taxpayer during which the distribution or disposition occurs."

96. (1) Section 157.2.0.1 of the said Act is amended by replacing paragraph *b* by the following:

"(b) the amount of such outlay or expense described in that paragraph *n* that was made or incurred by the taxpayer in the year and not otherwise deducted in computing the taxpayer's income for the year."

(2) Subsection 1 applies from the taxation year 1996.

97. (1) The said Act is amended by inserting, after section 157.6, the following section:

"157.6.1. An insurer may, in computing the income of the insurer for a taxation year, deduct the amount included under paragraph *e.1* of section 87 by the insurer in computing the insurer's income for the preceding taxation year."

(2) Subsection 1 applies from the taxation year 1996.

98. Section 157.15 of the said Act is replaced, in the English text, by the following:

"157.15. Notwithstanding sections 128 and 133, a taxpayer may deduct, in computing the income of the taxpayer from a business for a taxation year, the portion, which can reasonably be attributed to a plan for the insurance of persons, otherwise than in relation to coverage against the loss of all or part of the income from a business, of the aggregate of all amounts each of which is the total contribution relating to work performed in connection with that business and payable by the taxpayer for a period in the year, otherwise than because of a previous, the current or an intended office or employment of another person, to the administrator of a multi-employer insurance plan, within the meaning of section 43.1, and of the tax, within the meaning of subparagraph *d* of the second paragraph of section 37.0.1.1, relating thereto."

99. (1) Section 171 of the said Act is amended by replacing the second paragraph by the following:

"However, the outstanding debts referred to in sections 169 and 170 do not include an amount outstanding at the particular time in respect of a debt or other obligation to pay an amount to an insurance corporation not resident in

Canada to the extent that the amount outstanding was, for the insurance corporation's taxation year that included the particular time, designated insurance property in respect of an insurance business carried on in Canada through an establishment."

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

100. The heading of Division II of Chapter V of Title III of Book III of Part I of the said Act is replaced by the following:

"STATE AND FEDERAL CROWN BODIES".

101. Section 192 of the said Act is amended

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

"**192.** This Part, except section 985, applies to a State body or a federal Crown body, unless otherwise provided by the regulations.";

(2) by replacing, in the English text, the second and third paragraphs by the following:

"Any income or loss from a business carried on by a body, as a mandatary of Her Majesty, that is a prescribed body for the purposes of the third paragraph, or from a property of Her Majesty administered by such a body shall be treated, for the purposes of this Part, as if it were an income or loss of the body from the business or the property.

"Notwithstanding any other provision of this Part, a prescribed body and any corporation controlled by it are deemed not to be private corporations."

102. Section 193 of the said Act is replaced by the following:

"**193.** Where land of Her Majesty has been transferred, for purposes of disposition, to a body that is a prescribed body for the purposes of the third paragraph of section 192, the acquisition of the property by the body and any disposition thereof are deemed not to have been in the course of the business carried on by the body."

103. (1) The said Act is amended by inserting, after section 230.0.0.3, the following sections:

"**230.0.0.3.1.** For the purposes of subparagraphs *b* and *c* of the first paragraph of section 230, expenditures incurred by a taxpayer in a taxation year do not include expenses incurred in the year in respect of salary or wages of a specified employee of the taxpayer to the extent that those expenses exceed the amount determined by the formula

$$A \times B/365.$$

In the formula provided for in the first paragraph,

(a) A is 5 times the amount of the Maximum Pensionable Earnings, as determined under section 40 of the Act respecting the Québec Pension Plan (chapter R-9), for the calendar year in which the taxation year ends; and

(b) B is the number of days in the taxation year during which the employee is a specified employee of the taxpayer.

“230.0.0.3.2. For the purposes of subparagraphs *b* and *c* of the first paragraph of section 230, where in a taxation year of a corporation that ends in a particular calendar year, the corporation employs an individual who is a specified employee of the corporation, the corporation is associated with another corporation, in this section referred to as the “associated corporation”, in a taxation year of the associated corporation that ends in the particular calendar year, and the individual is a specified employee of the associated corporation in that taxation year of the associated corporation, the expenditures incurred by the corporation in its taxation year or years that end in the calendar year and by each associated corporation in its taxation year or years that end in the particular calendar year do not include expenses incurred in those taxation years in respect of salary or wages of the specified employee unless the corporation and all of the associated corporations have filed with the Minister an agreement referred to in section 230.0.0.3.3 in respect of those years in respect of that employee or section 230.0.0.3.5 applies to those corporations in respect of those years in respect of that employee.

“230.0.0.3.3. Where none of the members of a group of corporations that are associated with each other in a taxation year that ends in a particular calendar year and of which an individual is a specified employee has, in that taxation year, an establishment in a province other than Québec, all of the members of the group of associated corporations file, in respect of their taxation years that end in the particular calendar year, an agreement with the Minister in which they allocate an amount in respect of the individual to one or more of them for those years and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, does not exceed the amount determined by the following formula, the maximum amount that may be claimed in respect of salary or wages of the individual for the purposes of subparagraphs *b* and *c* of the first paragraph of section 230 by each of the corporations for each of those years is the amount so allocated to it for each of those years:

$$A \times B/365.$$

In the formula provided for in the first paragraph,

(a) A is 5 times the amount of the Maximum Pensionable Earnings, as determined under section 40 of the Act respecting the Québec Pension Plan (chapter R-9), for the particular calendar year; and

(b) B is the lesser of 365 and the number of days in those taxation years during which the individual was a specified employee of one or more of the corporations.

“230.0.0.3.4. An agreement referred to in the first paragraph of section 230.0.0.3.3 is deemed not to have been filed by a taxpayer with the Minister unless it is in prescribed form, and, where the taxpayer is a corporation, it is accompanied by, where the directors of the corporation are legally entitled to administer its affairs, a certified copy of their resolution authorizing the agreement to be made or, where the directors of the corporation are not legally entitled to administer its affairs, a certified copy of the document by which the person legally entitled to administer its affairs authorized the agreement to be made.

“230.0.0.3.5. Where one of the members of a group of corporations that are associated with each other in a taxation year that ends in a particular calendar year and of which an individual is a specified employee has, in that taxation year, an establishment in a province other than Québec and an amount in respect of the individual is allocated, in accordance with subsection 9.3 of section 37 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to one or more of them for each of their taxation years that ends in the particular calendar year, the maximum amount that may be claimed in respect of salary or wages of the individual for the purposes of subparagraphs *b* and *c* of the first paragraph of section 230 by each of the corporations for each of those years is the amount so allocated to it for each of those years.

Where, in respect of a taxation year, a member of a group of associated corporations referred to in the first paragraph files, in respect of an individual, an agreement with the Minister of National Revenue in accordance with subsection 9.3 of section 37 of the Income Tax Act, the member is required to file with the Minister, in respect of that year, a copy of the agreement.

“230.0.0.3.6. For the purposes of this section and sections 230.0.0.3.2, 230.0.0.3.3 and 230.0.0.3.5, each of the following is deemed to be a corporation associated with a particular corporation:

- (a) an individual related to the particular corporation;
- (b) a partnership of which a majority interest partner is an individual related to the particular corporation or a corporation associated with the particular corporation; and
- (c) a limited partnership of which a member whose liability as a member is not limited is an individual related to the particular corporation or a corporation associated with the particular corporation.”

(2) Subsection 1, where it enacts sections 230.0.0.3.1 to 230.0.0.3.4 and 230.0.0.3.6 of the said Act, applies to taxation years that begin after 5 March

1996. However, where it applies to a taxation year preceding the taxation year 1998,

(1) section 230.0.0.3.2 of the said Act, enacted by subsection 1, shall be read with “or section 230.0.0.3.5 applies to those corporations in respect of those years in respect of that employee” struck out;

(2) section 230.0.0.3.3 of the said Act, enacted by subsection 1, shall be read with “Where none of the members of a group of corporations that are associated with each other in a taxation year that ends in a particular calendar year and of which an individual is a specified employee has, in that taxation year, an establishment in a province other than Québec, all of the members of the group of associated corporations”, in the first paragraph, replaced by “Where all of the members of a group of corporations that are associated with each other in a taxation year that ends in a particular calendar year and of which an individual is a specified employee”;

(3) section 230.0.0.3.6 of the said Act, enacted by subsection 1, shall be read with “, 230.0.0.3.3 and 230.0.0.3.5”, in the portion before paragraph *a*, replaced by “and 230.0.0.3.3”.

(3) Subsection 1, where it enacts section 230.0.0.3.5 of the said Act, applies from the taxation year 1998.

104. (1) Section 255 of the said Act, amended by section 58 of chapter 85 of the statutes of 1997, is again amended by replacing subparagraph *i* of paragraph *i* by the following:

“*i.* an amount in respect of each fiscal period of the partnership ending after 31 December 1971 and before the particular time, equal to the taxpayer’s share, other than a share under an agreement referred to in section 608, of the income of the partnership from any source for that fiscal period, computed as if this Part were construed without reference to the words “one-half of” in section 105 as it applied to each fiscal period of the partnership ending before 1 April 1977 and without reference to the fractions set out in sections 107, 231 and 265, and as if paragraph *l*, paragraph *z.4* of section 87, sections 89 to 91, 144, 144.1, 145 and 425, paragraph *j* of section 157, as it read before being struck out, paragraph *b* of each of sections 200 and 201, Division XV of Chapter IV, paragraphs *g* and *h* of section 489, as they read before being struck out, subsection 2 of section 497, and the provisions of the Act respecting the application of the Taxation Act (1972, chapter 24), as they read before their repeal, in respect of income from the operation of new mines, did not exist;”.

(2) Subsection 1, where it adds, in subparagraph *i* of paragraph *i* of section 255 of the said Act, a reference to paragraph *z.4* of section 87 thereof, applies for the purpose of computing the adjusted cost base of property after 31 December 1996.

105. (1) Section 257 of the said Act is amended

(1) by replacing paragraphs *e* and *h* by the following:

“(e) where the property was received as consideration for a payment or loan referred to in section 383, as it read in respect of the payment or loan, which the taxpayer made or consented to before 20 April 1983 to a joint exploration corporation, within the meaning of section 382, as a shareholder corporation of such a corporation, in respect of Canadian exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses incurred by the joint exploration corporation, or where the property was substituted for such a property, such portion of the payment or loan as may reasonably be considered to relate to an agreed portion referred to in section 381, 406, 417 or 418.13, as it read in respect of the agreed portion;

“(h) where the property is a share of the capital stock of a joint exploration corporation, within the meaning of section 382, resident in Canada to which the taxpayer has, after 31 December 1971, made a contribution of capital otherwise than by way of a loan, which contribution was included in computing the adjusted cost base of the property by virtue of paragraph *e* of section 255, such portion of the contribution as may reasonably be considered to be part of an agreed portion referred to in section 381, 406, 417 or 418.13, as it read in respect of the agreed portion;”;

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

“i. an amount in respect of each fiscal period of the partnership ending after 31 December 1971 and before the particular time, equal to the taxpayer's share, other than a share under an agreement referred to in section 608, of any loss of the partnership from any source for that fiscal period, computed as if this Part were construed without reference to the words “one-half of” in section 105, as it applied to each fiscal period of the partnership ending before 1 April 1977 and without reference to the fractions set out in sections 107 and 231, and as if paragraph z.4 of section 87, sections 89 to 91, 144, 144.1, 145, 205 to 207, 235, 236.2 to 241, 264, 271, 273, 288, 293, 425 and 744.1, paragraph *j* of section 157, as it read before being struck out, Division XV of Chapter IV, paragraphs *g* and *h* of section 489, as they read before being struck out, and the second paragraph of section 741 did not exist, except to the extent that all or a portion of such a loss may reasonably be considered to have been included in the taxpayer's limited partnership loss in respect of the partnership for the taxpayer's taxation year in which that fiscal period ended;”;

(3) by replacing, in subparagraph *ii* of paragraph *l*, “(1972, chapter 24)” by “(chapter I-4)”.

(2) Paragraph 2 of subsection 1, where it adds, in subparagraph *i* of paragraph *l* of section 257 of the said Act, a reference to paragraph z.4 of section 87 of the said Act, applies for the purpose of computing the adjusted cost base of property after 31 December 1996.

106. Section 308.6 of the said Act is amended, in subparagraph *i* of subparagraph *b* and subparagraph *c* of the first paragraph, by replacing “section 157” by “section 157 as it read, before being struck out, in respect of that period,”.

107. (1) Section 312 of the said Act, amended by section 62 of chapter 85 of the statutes of 1997, is again amended

(1) by striking out paragraphs *a* to *b.2*;

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

“(c.2) an amount received out of or under, or as proceeds of disposition of, an annuity where the payment made for the acquisition of the annuity was

i. deductible in computing the taxpayer’s income because of paragraph *f* of section 339 or because of section 923.3, as it read immediately before its repeal,

ii. made in circumstances to which, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), subsection 21 of section 146 of that Act applied; or

iii. made pursuant to or under a deferred profit sharing plan by a trustee under the plan to purchase the annuity for a beneficiary under the plan;”;

(3) in paragraph *f*, by striking out “of subsection 1” and by replacing the word “sous-paragraphe” by the word “paragraphe” wherever it appears in the French text;

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

“(g) the amount by which the aggregate of all amounts, other than an amount described in paragraph *i* of section 311, an amount received in the course of business and an amount received because of, or in the course of, an office or employment, received by the taxpayer in the year as a scholarship, fellowship or bursary, or a prize for achievement in a field of endeavour ordinarily carried on by the taxpayer, other than a prescribed prize, exceeds the amount determined under section 312.2 in respect of the taxpayer; and”.

(2) Paragraph 1 of subsection 1 applies in respect of amounts received after 31 December 1996.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1996.

108. (1) Section 312.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of amounts received after 31 December 1996.

109. (1) The said Act is amended by inserting, after section 312.2, the following sections:

“312.3. In this chapter,

“child support amount” means any support amount that is not identified in the agreement or order under which it is receivable as being solely for the support of a recipient who is a spouse or former spouse of the payer or who is the father or mother of a child of the payer;

“commencement day” in respect of an agreement or order means

(a) where the agreement or order is made after 30 April 1997, the day it is made; and

(b) where the agreement or order is made before 1 May 1997, the day that is after 30 April 1997 and is the earliest of

i. the day specified as the commencement day by the payer and recipient of the child support amount payable or receivable, as the case may be, under the agreement or order, in a joint election filed with the Minister in prescribed form,

ii. where the agreement or order is varied after 30 April 1997 to change the child support amounts payable to the recipient, the day on which the first payment of the varied amount is required to be made,

iii. where a subsequent agreement or order is made after 30 April 1997, the effect of which is to change the total child support amounts payable to the recipient by the payer, the commencement day of the first such subsequent agreement or order, and

iv. the day specified in the agreement or order, or any variation thereof, as the commencement day for the purposes of this Part;

“support amount” means, subject to the second paragraph, an amount receivable as an allowance on a periodic basis for the maintenance of the recipient, a child of the recipient or both the recipient and a child of the recipient, if the recipient has discretion as to the use of the amount, and

(a) the recipient is the spouse or former spouse of the payer, the recipient and payer are living separate and apart because of the breakdown of their marriage and the amount is receivable under an order of a competent tribunal or under a written agreement; or

(b) the payer is the father or mother of a child of the recipient and the amount is receivable under an order made by a competent tribunal in accordance with the laws of a province.

For the purposes of the definition of “support amount” in the first paragraph, a support amount does not include an amount described in that definition that, if paid and received, would not be required to be included in computing the income of the recipient of the amount if

(a) paragraphs *a* to *b.1* of section 312 applied in respect of an amount received after 31 December 1996 and were read without reference to the words “and throughout the remainder of the year”; and

(b) section 312.4 were disregarded.

“312.4. A taxpayer shall also include the aggregate of all amounts each of which is an amount determined by the formula

$$A - (B + C).$$

In the formula provided for in the first paragraph,

(a) *A* is the aggregate of all amounts each of which is a support amount received after 31 December 1996 and before the end of the year by the taxpayer from a particular person where the taxpayer and the particular person were living separate and apart at the time the amount was received;

(b) *B* is the aggregate of all amounts each of which is a child support amount that became receivable by the taxpayer from the particular person under an agreement or order on or after the commencement day and before the end of the year in respect of a period that began after that commencement day; and

(c) *C* is the aggregate of all amounts each of which is a support amount received after 31 December 1996 by the taxpayer from the particular person and included in the taxpayer’s income for a preceding taxation year.

“312.5. A taxpayer shall also include any amount received under an order of a competent tribunal as a reimbursement of an amount deducted under any of paragraphs *a* to *b* of subsection 1 of section 336, as it read for that preceding year, in computing the taxpayer’s income for a preceding taxation year, or that could have been so deducted were it not for section 334.1, as it read for that preceding year, or deducted under section 336.0.3 in computing the taxpayer’s income for the year or a preceding taxation year.”

(2) Subsection 1, where it enacts section 312.3 of the said Act, has effect from 1 January 1997.

(3) Subsection 1, where it enacts sections 312.4 and 312.5 of the said Act, applies in respect of amounts received after 31 December 1996.

110. (1) Section 313 of the said Act is replaced by the following:

“313. For the purposes of sections 312.4 and 752.0.6, where an order or agreement, or any variation thereof, provides for the payment of an amount to a taxpayer or for the benefit of the taxpayer, a child in the taxpayer’s custody or both the taxpayer and a child in the taxpayer’s custody, the amount or any part thereof, when payable, is deemed to be payable to and receivable by the taxpayer and, when paid, is deemed to have been paid to and received by the taxpayer.”

(2) Subsection 1 applies in respect of amounts received after 31 December 1996.

111. (1) The said Act is amended by inserting, after section 313, the following section:

“313.0.1. For the purposes of section 312.3, where an order, or any variation thereof, provides for the payment of an amount to a taxpayer or for the benefit of the taxpayer, a child in the taxpayer’s custody or both the taxpayer and a child in the taxpayer’s custody and the amount or any part thereof is paid by the Minister under the Act to facilitate the payment of support (chapter P-2.2) otherwise than out of the sums collected from the debtor of support, the amount or any part thereof, when paid, is deemed to have been receivable by the taxpayer under the order.”

(2) Subsection 1 applies in respect of amounts received after 31 December 1996.

112. (1) Sections 313.0.1 to 313.0.3 of the said Act are replaced by the following:

“313.0.1. Where an amount, other than an amount that is otherwise a support amount, became payable in a taxation year by a person, in this section and in section 313.0.2 referred to as the “particular person”, under an order of a competent tribunal or under a written agreement, in respect of an expense incurred in the year or the preceding taxation year for the maintenance of a taxpayer described in the second paragraph, a child in the taxpayer’s custody or both the taxpayer and a child in the taxpayer’s custody and the order or agreement provides that this section and section 336.1 apply to any amount paid or payable thereunder, the amount by which the aggregate of all amounts each of which is such an amount payable exceeds the amount determined under section 313.0.3 is, for the purposes of this chapter and section 752.0.6, deemed to be an amount payable to and receivable by the taxpayer as an allowance on a periodic basis, and the taxpayer is deemed to have discretion as to the use of that amount.

The taxpayer to whom the first paragraph refers is

(a) the spouse or former spouse of the particular person; or

(b) where the amount became payable under an order made by a competent tribunal in accordance with the laws of a province, the father or mother of a child of the particular person.

“313.0.2. For the purposes of section 313.0.1, an expense does not include an expenditure in respect of a self-contained domestic establishment in which the particular person resides or an expenditure for the acquisition of tangible property that is not an expenditure on account of a medical or educational expense or in respect of the acquisition, improvement or maintenance of a self-contained domestic establishment in which the taxpayer described in the second paragraph of that section 313.0.1 resides.

“313.0.3. The amount referred to in the first paragraph of section 313.0.1 is the amount by which

(a) the aggregate of all amounts each of which is an amount included in the aggregate determined under that paragraph in respect of the acquisition or improvement of a self-contained domestic establishment in which the taxpayer described in the second paragraph of that section 313.0.1 resides, including any payment of principal or interest in respect of a loan made or indebtedness incurred to finance, in any manner whatever, such acquisition or improvement; exceeds

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

(2) Subsection 1 applies in respect of amounts received after 31 December 1996.

113. (1) Section 313.0.5 of the said Act is replaced by the following:

“313.0.5. For the purposes of this chapter, where a written agreement or order of a competent tribunal made at any time in a taxation year provides that an amount received before that time and in the year or the preceding taxation year is to be considered to have been paid and received thereunder, the following rules apply:

(a) the amount is deemed to have been received thereunder;

(b) the agreement or order is deemed, except for the purpose of this section, to have been made on the day on which the first such amount was received.

However, where the agreement or order is made after 30 April 1997 and varies a child support amount payable to the recipient from the last such amount received by the recipient before 1 May 1997, each varied amount of child support received under the agreement or order is deemed to have been receivable under an agreement or order the commencement day of which is

the day on which the first payment of the varied amount is required to be made.”

(2) Subsection 1 applies in respect of amounts received after 31 December 1996.

114. (1) Section 336 of the said Act, amended by section 45 of chapter 31 of the statutes of 1997, by section 110 of chapter 63 of the statutes of 1997 and by section 65 of chapter 85 of the statutes of 1997, is again amended

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

“336. The amounts referred to in section 334 include”;

(2) by striking out paragraphs *a* to *b.1* of subsection 1;

(3) by replacing, in the French text of the portion of paragraph *e.1* of subsection 1 before subparagraph *i*, the words “présent sous-paragraphe” by the words “présent paragraphe”;

(4) by replacing, in the English text of subparagraph *ii* of paragraph *f* of subsection 1, the word “estate” by the word “succession”;

(5) by striking out subsections 2 to 2.2.

(2) Paragraph 2 of subsection 1, where it strikes out paragraphs *a* to *b.0.1* of subsection 1 of section 336 of the said Act, and paragraph 5 of subsection 1, where it strikes out subsection 2 of section 336 of the said Act, applies in respect of amounts paid after 31 December 1996.

(3) Paragraph 2 of subsection 1, where it strikes out paragraph *b.1* of subsection 1 of section 336 of the said Act, has effect from 1 January 1997.

(4) Paragraph 5 of subsection 1, where it strikes out subsections 2.1 and 2.2 of section 336 of the said Act, applies in respect of amounts reimbursed after 31 December 1996. In addition,

(1) where subsection 2.1 of section 336 of the said Act, struck out by that paragraph 5, applies in respect of amounts reimbursed before 1 January 1997, it shall be read with the words “to and received by the person” added after the word “paid”;

(2) where subsection 2.2 of section 336 of the said Act, struck out by that paragraph 5, applies in respect of amounts reimbursed before 1 January 1997, it shall be read with the words “to have been paid in that year under the decree, order or judgment” replaced by the words “to have been paid to and received by the person in that year under the decree, order or judgment”.

115. (1) Section 336.0.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of amounts paid after 31 December 1996.

116. (1) The said Act is amended by inserting, before section 336.1, the following sections:

“336.0.2. In this chapter,

“child support amount” means any support amount that is not identified in the agreement or order under which it is payable as being solely for the support of a recipient who is a spouse or former spouse of the payer or who is the father or mother of a child of the payer;

“commencement day” in respect of an agreement or order has the meaning assigned by the first paragraph of section 312.3;

“support amount” means, subject to the second paragraph and except for the purposes of paragraphs *a* and *b* of section 336.0.5, an amount payable as an allowance on a periodic basis for the maintenance of the recipient, a child of the recipient or both the recipient and a child of the recipient, if the recipient has discretion as to the use of the amount, and

(*a*) the recipient is the spouse or former spouse of the payer, the recipient and payer are living separate and apart because of the breakdown of their marriage and the amount is payable under an order of a competent tribunal or under a written agreement; or

(*b*) the payer is the father or mother of a child of the recipient and the amount is payable under an order made by a competent tribunal in accordance with the laws of a province.

For the purposes of the definition of “support amount” in the first paragraph, a support amount does not include an amount described in that definition that, if paid and received, would not be required to be included in computing the income of the recipient of the amount if

(*a*) paragraphs *a* to *b.1* of section 312 applied in respect of an amount received after 31 December 1996 and were read without reference to the words “and throughout the remainder of the year”; and

(*b*) section 312.4 were disregarded.

“336.0.3. A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the aggregate of all amounts each of which is an amount determined by the formula

$$A - (B + C).$$

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is a support amount paid after 31 December 1996 and before the end of the year by the taxpayer to a particular person, where the taxpayer and the particular person were living separate and apart at the time the amount was paid;

(b) B is the aggregate of all amounts each of which is a child support amount that became payable by the taxpayer to the particular person under an agreement or order on or after the commencement day and before the end of the year in respect of a period that began after that commencement day; and

(c) C is the aggregate of all amounts each of which is a support amount paid by the taxpayer to the particular person after 31 December 1996 and deductible in computing the taxpayer's income for a preceding taxation year.

“336.0.4. A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the amount by which an amount paid by the taxpayer in the year or one of the two preceding taxation years under an order of a competent tribunal as a repayment of an amount included under any of paragraphs *a* to *b.1* of section 312, as it read for a preceding taxation year, in computing the taxpayer's income for that preceding year, or that should have been so included had the taxpayer not made the election provided for in section 309.1, as it read for that preceding year, or included under section 312.4 in computing the taxpayer's income for the year or a preceding taxation year, to the extent that the amount was not deducted in computing the taxpayer's income for a preceding taxation year, exceeded the portion of the amount in respect of which section 334.1 applied for a preceding taxation year, as that section read for that preceding year.

“336.0.5. A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct any amount paid by the taxpayer as judicial or extrajudicial expenses incurred for any of the following purposes, to the extent that the taxpayer has not been reimbursed, is not entitled to be reimbursed, and did not deduct the amount in computing the taxpayer's income for a preceding taxation year:

(a) for the purpose of collecting an amount owing to the taxpayer that is a support amount as defined in the first paragraph of section 312.3;

(b) for the purpose of obtaining a review of the right to receive an amount that is a support amount as defined in the first paragraph of section 312.3; and

(c) for the purpose of obtaining a review of the obligation to pay an amount that is a support amount.

“336.0.6. For the purposes of sections 336.0.3 and 752.0.6, where an order or agreement, or any variation thereof, provides for the payment of an amount by a taxpayer to a person or for the benefit of the person, a child in the

person's custody or both the person and a child in the person's custody, the amount or any part thereof, when payable, is deemed to be payable to and receivable by that person and, when paid, is deemed to have been paid to and received by that person.

“336.0.7. For the purposes of sections 336.0.2 and 336.0.3, where an order, or any variation thereof, provides for the payment of an amount by a taxpayer to a person or for the benefit of the person, a child in the person's custody or both the person and a child in the person's custody, the amount or any part thereof is paid by the Minister under the Act to facilitate the payment of support (chapter P-2.2) otherwise than out of the sums collected from the taxpayer, and in a particular taxation year the taxpayer reimburses the Minister for all or any part of that amount, the amount so reimbursed is deemed to have been payable in that year under the order and to have been paid to and received by the person in that year.

“336.0.8. For the purposes of sections 336.0.2 and 336.0.3, where an order or agreement, or any variation thereof, provides for the payment of an amount by a taxpayer to a person or for the benefit of the person, a child in the person's custody or both the person and a child in the person's custody, a benefit is paid by the Minister of Employment and Solidarity under Chapter II of the Act respecting income security (chapter S-3.1.1) because the taxpayer fails to pay all or part of the amount that the taxpayer is required to pay, and in a particular taxation year the taxpayer reimburses the Minister of Employment and Solidarity for all or part of that benefit, the amount so reimbursed is deemed to have been payable in that year under the order or agreement and to have been paid to and received by the person in that year.”

(2) Subsection 1, where it enacts sections 336.0.2 and 336.0.5 of the said Act, has effect from 1 January 1997.

(3) Subsection 1, where it enacts sections 336.0.3, 336.0.4 and 336.0.6 of the said Act, applies in respect of amounts paid after 31 December 1996.

(4) Subsection 1, where it enacts sections 336.0.7 and 336.0.8 of the said Act, applies in respect of amounts reimbursed after 31 December 1996. However, where section 336.0.8 of the said Act, enacted by subsection 1, applies in respect of amounts that are reimbursed before 25 June 1997, it shall be read with the words “Employment and Solidarity” replaced by the words “Income Security”.

117. (1) Sections 336.1 to 336.4 of the said Act are replaced by the following:

“336.1. Where an amount, other than an amount that is otherwise a support amount, became payable by a taxpayer in a taxation year under an order of a competent tribunal or under a written agreement, in respect of an expense incurred in the year or the preceding taxation year for the maintenance of a person described in the second paragraph, a child in the person's custody

or both the person and a child in the person's custody and the order or agreement provides that this section and section 313.0.1 apply to any amount paid or payable thereunder, the amount by which the aggregate of all amounts each of which is such an amount payable exceeds the amount determined under section 336.3 is deemed, for the purposes of this chapter and of section 752.0.6, to be an amount payable by the taxpayer to and receivable by the person as an allowance on a periodic basis, and the person is deemed to have discretion as to the use of that amount.

The person to whom the first paragraph refers is

(a) the spouse or former spouse of the taxpayer; or

(b) where the amount became payable under an order made by a competent tribunal in accordance with the laws of a province, the father or mother of a child of the taxpayer.

“336.2. For the purposes of section 336.1, an expense does not include an expenditure in respect of a self-contained domestic establishment in which the taxpayer mentioned in the first paragraph of that section resides or an expenditure for the acquisition of tangible property that is not an expenditure on account of a medical or educational expense or in respect of the acquisition, improvement or maintenance of a self-contained domestic establishment in which the person described in the second paragraph of that section resides.

“336.3. The amount referred to in the first paragraph of section 336.1 is equal to the amount by which

(a) the aggregate of all amounts each of which is an amount included in the aggregate determined under that paragraph in respect of the acquisition or improvement of a self-contained domestic establishment in which the person described in the second paragraph of that section 336.1 resides, including any payment of principal or interest in respect of a loan made or indebtedness incurred to finance, in any manner whatever, such acquisition or improvement; exceeds

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

“336.4. For the purposes of this chapter, where a written agreement or order of a competent tribunal made at any time in a taxation year provides that an amount paid before that time and in the year or the preceding taxation year is to be considered to have been paid and received thereunder, the following rules apply:

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

(b) the agreement or order is deemed, except for the purpose of this section, to have been made on the day on which the first such amount was paid.

However, where the agreement or order is made after 30 April 1997 and varies a child support amount payable to the recipient from the last such amount paid to the recipient before 1 May 1997, each varied amount of child support paid under the agreement or order is deemed to have been payable under an agreement or order the commencement day of which is the day on which the first payment of the varied amount is required to be made.”

(2) Subsection 1 applies in respect of amounts paid after 31 December 1996.

118. (1) Section 359 of the said Act is amended by replacing paragraph *d* by the following:

“(d) “oil or gas well” means any well, other than an exploratory probe or a well drilled from below the surface of the earth, drilled for the purpose of producing petroleum or natural gas or of determining the existence, location, extent or quality of a natural accumulation of petroleum or natural gas, but, for the purpose of applying sections 93 to 104 and 130 and any regulations made for the purpose of paragraph *a* of section 130 in respect of property acquired after 6 March 1996, does not include a well for the extraction of material from a deposit of bituminous sands or oil shales.”

(2) Subsection 1 has effect from 7 March 1996.

119. (1) Section 359.1 of the said Act is amended by replacing subparagraphs *a* and *b* of the first paragraph by the following:

“(a) to incur, in the period that begins on the day the agreement was entered into and ends 24 months after the end of the month that includes that day, Canadian exploration expenses or Canadian development expenses in an amount not less than the consideration for which the share is to be issued, and

“(b) to renounce, before 1 March of the first calendar year that begins after that period, in prescribed form to the person in respect of the share, an amount in respect of the Canadian exploration expenses or Canadian development expenses so incurred by it not exceeding the consideration received by the corporation for the share.”

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

120. (1) Section 359.1.1 of the said Act is replaced by the following:

“**359.1.1.** For the purposes of this division, a renunciation made by a corporation under section 359.2, 359.2.1 or 359.4 in respect of a share is effective on the date on which the renunciation is made by the corporation or on an earlier date set out in the form prescribed for the purposes of section 359.12.”

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

121. (1) Section 359.2 of the said Act is amended

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

“359.2. Where a person gave consideration under an agreement to a corporation for the issue of a flow-through share of the corporation and, in the period that begins on the day the agreement was entered into and ends 24 months after the end of the month that includes that day, the corporation incurred Canadian exploration expenses, the corporation may, after it complies with section 359.10 in respect of the share and before 1 March of the first calendar year that begins after that period, renounce to the person in respect of the share the amount by which the part of those expenses incurred by it on or before the effective date of the renunciation, which part is in this section referred to as the “specified expenses”, exceeds the aggregate of

(a) the assistance that the corporation has received, is entitled to receive, or may reasonably expect to receive at any time, and that can reasonably be related to the specified expenses or to Canadian exploration activities to which the specified expenses relate, other than assistance that can reasonably be related to expenses referred to in subparagraph *b* or *b.1*;

(b) all specified expenses that are prescribed Canadian exploration and development overhead expenses of the corporation;”;

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

“(b.1) all specified expenses each of which is a cost of, or for the use of, seismic data

i. that had been acquired, otherwise than as a consequence of performing work that resulted in the creation of the data, by any other person before the cost was incurred,

ii. in respect of which a right to use had been acquired by any other person before the cost was incurred, or

iii. all or substantially all of which resulted from work performed more than one year before the cost was incurred; and”;

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

“(a) the amount by which the consideration for the share exceeds the aggregate of other amounts renounced under this section or section 359.2.1 or 359.4 by the corporation in respect of the share on or before the day on which the renunciation is made; or”.

(2) Paragraph 1 of subsection 1 applies in respect of expenses incurred after 29 February 1996.

(3) Paragraph 2 of subsection 1 applies in respect of costs incurred after 5 March 1996, other than costs incurred under an agreement in writing entered into before 6 March 1996.

(4) Paragraph 3 of subsection 1 applies in respect of renunciations made after 31 December 1998.

122. (1) Section 359.2.1 of the said Act is amended by replacing the portion before paragraph *c* by the following:

“359.2.1. Where a person gave consideration under an agreement to a corporation for the issue of a flow-through share of the corporation, the corporation’s paid-up capital amount at the time the consideration was given was not more than \$15,000,000, and during the period beginning on the later of 3 December 1992 and the particular day the agreement was entered into and ending on the day that is 24 months after the end of the month that included that particular day, the corporation incurred Canadian development expenses described in paragraph *a* or *a.1* of section 408 or that would be described in paragraph *d* of that section if the words “expenses described in paragraphs *a* to *c*” in that paragraph were read as “expenses described in paragraph *a* or *a.1*”, the corporation may, after it complies with section 359.10 in respect of the share and before 1 March of the first calendar year that begins after that period, renounce to the person in respect of the share the amount by which the part of those expenses incurred by it on or before the effective date of the renunciation, which part is in this section referred to as the “specified expenses”, exceeds the aggregate of

(*a*) the assistance that the corporation has received, is entitled to receive, or may reasonably expect to receive at any time, and that can reasonably be related to the specified expenses or Canadian development activities to which the specified expenses relate, other than assistance that can reasonably be related to expenses referred to in paragraph *b*;

(*b*) all specified expenses that are prescribed Canadian exploration and development overhead expenses of the corporation;”.

(2) Subsection 1 applies in respect of expenses incurred after 2 December 1992, except where it inserts, in the portion of section 359.2.1 of the said Act before paragraph *a*, “, the corporation’s paid-up capital amount at the time the consideration was given was not more than \$15,000,000”, in which case subsection 1 applies in respect of renunciations made after 5 March 1996, other than renunciations made before 1 January 1999 in respect of consideration given before 6 March 1996 or under an agreement in writing entered into before 6 March 1996 or under the terms of a final prospectus, preliminary prospectus, offering memorandum, registration statement or notice filed before 6 March 1996 with a public authority in Canada in accordance with securities legislation of a province.

123. (1) Section 359.2.2 of the said Act is amended

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

“(a) the particular amount exceeds the amount by which the consideration for the share exceeds the aggregate of other amounts renounced under section 359.2, 359.2.1 or 359.4 by the corporation in respect of the share on or before the day on which the renunciation is made;”;

(2) by replacing, in paragraph *c*, “\$2,000,000” by “\$1,000,000”.

(2) Paragraph 1 of subsection 1 applies in respect of renunciations made after 31 December 1998.

(3) Paragraph 2 of subsection 1 applies in respect of renunciations made after 5 March 1996, other than a renunciation made before 1 January 1999 in respect of consideration given before 6 March 1996 or under an agreement in writing entered into before 6 March 1996 or under the terms of a final prospectus, preliminary prospectus, offering memorandum, registration statement or notice filed before 6 March 1996 with a public authority in Canada in accordance with securities legislation of a province.

124. (1) The said Act is amended by inserting, after section 359.2.2, the following sections:

“359.2.3. For the purposes of section 359.2.1, a corporation’s paid-up capital amount at any time is the aggregate of

(a) its paid-up capital determined for its last taxation year that ended more than 30 days before that time; and

(b) the aggregate of all amounts each of which is the paid-up capital of another corporation associated at that time with the corporation, determined for the other corporation’s last taxation year that ended more than 30 days before that time.

“359.2.4. For the purpose of determining the paid-up capital amount at a particular time under section 359.2.3 of any corporation and for the purposes of this section, a corporation that was created as a consequence of an amalgamation or merger of other corporations, each of which is in this section referred to as a “predecessor corporation”, and that does not have a taxation year that ended more than 30 days before the particular time, is deemed to have paid-up capital for a taxation year that ended more than 30 days before the particular time equal to the aggregate of all amounts each of which is the paid-up capital of a predecessor corporation for its last taxation year that ended more than 30 days before the particular time.

“359.2.5. For the purpose of determining the paid-up capital amount at a particular time under section 359.2.3 of a corporation and for the purposes of

section 359.2.4, a particular corporation's paid-up capital for a taxation year is its paid-up capital that would be determined for the year in accordance with Title I of Book III of Part IV if no account was taken of the portion of the amount that the corporation may deduct under section 1138 that is attributable to shares of the capital stock of, or indebtedness of, another corporation that

(a) was not associated with the particular corporation at the particular time; and

(b) was associated with the particular corporation at the end of the particular corporation's last taxation year that ended more than 30 days before that time."

(2) Subsection 1 has effect from 6 March 1996. However, for the purpose of determining a corporation's paid-up capital amount under section 359.2.3 of the said Act, enacted by subsection 1, in respect of a renunciation by a corporation, the corporation is deemed not to be associated with any other corporation where the renunciation is made before 1 January 1999 in respect of consideration given before 6 December 1996 or under an agreement in writing entered into before 6 December 1996 or under the terms of a final prospectus, preliminary prospectus, offering memorandum, registration statement or notice filed before 7 December 1996 with a public authority in Canada in accordance with securities legislation of a province.

125. (1) Section 359.4 of the said Act is amended

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

"359.4. Where a person gave consideration under an agreement to a corporation for the issue of a flow-through share of the corporation and, in the period that begins on the day the agreement was entered into and ends 24 months after the end of the month that includes that day, the corporation incurred Canadian development expenses, the corporation may, after it complies with section 359.10 in respect of the share and before 1 March of the first calendar year that begins after the period, renounce to the person in respect of the share an amount equal to the amount by which the part of those expenses incurred by it on or before the effective date of the renunciation, which part is in this section referred to as the "specified expenses", exceeds the aggregate of

(a) the assistance that the corporation has received, is entitled to receive or may reasonably expect to receive at any time, and that can reasonably be related to the specified expenses or to Canadian development activities to which the specified expenses relate, other than assistance that can reasonably be related to expenses referred to in subparagraph b or b.1;

(b) all specified expenses that are prescribed Canadian exploration and development overhead expenses of the corporation;";

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

“(b.1) all specified expenses that are described in paragraph *c* of section 408 or that are described in paragraph *d* of that section because of the reference in the latter paragraph to paragraph *c* of section 408 ; and” ;

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

“(a) the amount by which the consideration for the share exceeds the aggregate of other amounts renounced in respect of the share by the corporation under this section or section 359.2 or 359.2.1 on or before the day on which the renunciation is made ; or”.

(2) Paragraph 1 of subsection 1 applies in respect of expenses incurred after 29 February 1996.

(3) Paragraph 2 of subsection 1 applies in respect of renunciations made after 5 March 1996, other than a renunciation made before 1 January 1999 in respect of consideration given before 6 March 1996 or under an agreement in writing entered into before 6 March 1996 or under the terms of a final prospectus, preliminary prospectus, offering memorandum, registration statement or notice filed before 6 March 1996 with a public authority in Canada in accordance with securities legislation of a province.

(4) Paragraph 3 of subsection 1 applies in respect of renunciations made after 31 December 1998.

126. (1) Sections 359.6 and 359.7 of the said Act are repealed.

(2) Subsection 1 applies in respect of renunciations made after 5 March 1996, other than a renunciation made before 1 January 1999 in respect of consideration given before 6 March 1996 or under an agreement in writing entered into before 6 March 1996 or under the terms of a final prospectus, preliminary prospectus, offering memorandum, registration statement or notice filed before 6 March 1996 with a public authority in Canada in accordance with securities legislation of a province.

127. (1) Section 359.8 of the said Act is replaced by the following :

“**359.8.** Where a corporation that issues a flow-through share to a person under an agreement incurs, in a particular calendar year, Canadian exploration expenses or Canadian development expenses, the corporation is, for the purposes of section 359.2 or 359.2.1, as the case may be, deemed to have incurred the expenses on the effective date of the renunciation, provided that

(a) the expenses

i. are described in paragraph *a*, *b.1* or *c* of section 395 or paragraph *a* or *a.1* of section 408,

ii. would be described in paragraph *d* of section 395 if the reference therein to paragraphs *a* to *b.1* and *c* to *c.2* were read as a reference to paragraphs *a*, *b.1* and *c* of that section, or

iii. would be described in paragraph *d* of section 408 if the reference therein to paragraphs *a* to *c* were read as a reference to paragraphs *a* and *a.1* of that section;

(*a.1*) the agreement was entered into in the preceding calendar year;

(*b*) the person paid the consideration for the share in money before the end of the preceding calendar year;

(*c*) the corporation and the person deal with each other at arm's length throughout the particular calendar year; and

(*d*) in one of the first three months of the particular calendar year, the corporation renounces an amount in respect of the expenses to the person in respect of the share in accordance with section 359.2 or 359.2.1, as the case may be, and the effective date of the renunciation is the last day of the preceding calendar year.”

(2) Subsection 1, where it replaces section 359.8 of the said Act, other than paragraph *a* thereof, applies in respect of expenses incurred after 31 December 1996, other than expenses incurred before 1 March 1997 in respect of an agreement that was entered into in the calendar year 1995.

(3) In addition, for the purpose of applying paragraph *a.1* of section 359.8 of the said Act, enacted by subsection 1, in respect of expenses incurred in the calendar year 1998, any agreement entered into in the calendar year 1996 is deemed to have been entered into in the calendar year 1997.

(4) Subsection 1, where it replaces paragraph *a* of section 359.8 of the said Act, applies in respect of expenses incurred after 31 December 1992. However, where subparagraph ii of paragraph *a* of that section 359.8, enacted by subsection 1, applies before 6 December 1996, it shall be read with “*a* to *b.1* and *c* to *c.2*” replaced by “*a* to *b.1*, *c* and *c.1*”.

128. (1) Section 359.9 of the said Act is amended by replacing paragraph *a* by the following:

“(a) not to have renounced under any of sections 359.2, 359.2.1 and 359.4 any expenses that are deemed to have been incurred by it because of a renunciation under this chapter by another corporation that is not related to it;”.

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

129. (1) Section 359.9.1 of the said Act is amended by replacing the portion of paragraph *c* before subparagraph *i* by the following:

“(c) with the partnership if any part of the amount renounced would, but for the second paragraph of section 359.12, be included, because of paragraph *d* of section 395, in the Canadian exploration expense of”.

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

130. (1) Section 359.11 of the said Act is replaced by the following:

“359.11. Where, in a fiscal period of a partnership, an expense is incurred by the partnership as a consequence of a renunciation of an amount under section 359.2, 359.2.1 or 359.4, the partnership shall, before the end of the third month following the end of the fiscal period, file with the Minister the prescribed form identifying the share of the expense attributable to each member of the partnership at the end of that fiscal period.

Where the form required to be filed under the first paragraph is not so filed, except for the purposes of the first paragraph the partnership is deemed not to have incurred the expense referred to in that paragraph.”

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

131. (1) Section 359.11.1 of the said Act is amended by replacing the portion before paragraph *a* by the following:

“359.11.1. Where a partnership receives or becomes entitled to receive assistance as a mandatary of its members or former members at a particular time in respect of any Canadian exploration expense or Canadian development expense that is or, but for paragraph *b* of sections 359.3 and 359.5, would be incurred by a corporation, the following rules apply:”.

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

132. (1) Sections 359.12 and 359.12.0.1 of the said Act are replaced by the following:

“359.12. Where a corporation renounces an amount in respect of Canadian exploration expenses or Canadian development expenses under section 359.2, 359.2.1 or 359.4, the corporation shall file the prescribed form in respect of the renunciation with the Minister before the end of the first month following the month in which the renunciation is made.

Where the form required to be filed under the first paragraph is not so filed, sections 359.3 and 359.5 do not apply in respect of the amount referred to in the first paragraph that the corporation has renounced.

“359.12.0.1. Where a corporation receives or becomes entitled to receive assistance as a mandatary in respect of any Canadian exploration expense or Canadian development expense that is or, but for paragraph *b* of sections 359.3 and 359.5, would be incurred by the corporation, the corporation shall, before the end of the first month following the particular month in which it first becomes known to the corporation that a person who holds a flow-through share of the corporation is entitled to a share of any part of the assistance, file with the Minister the prescribed form identifying the share of that part of the assistance to which each of those persons is entitled at the end of the particular month.

Where the form required to be filed under the first paragraph is not so filed, except for the purpose of the first paragraph the corporation is deemed not to have incurred the expense referred to in the first paragraph to which the assistance relates.”

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

133. (1) Section 359.12.1.1 of the said Act is amended by replacing the portion before paragraph *a* by the following :

“359.12.1.1. Where a corporation purports to renounce an amount under section 359.2, 359.2.1 or 359.4 after the period in which the corporation was entitled to renounce the amount, the amount is deemed, except for the purposes of this section and sections 359.12 and 359.12.2, to have been renounced at the end of the period if”.

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

134. (1) Section 359.12.2 of the said Act is amended by replacing paragraph *a* by the following :

“(a) where the penalty is in respect of the late filing of a document referred to in section 359.10, 359.11 or 359.12, the greater of \$100 and 0.25% of the maximum amount in respect of the Canadian exploration expenses and Canadian development expenses renounced or attributed or to be renounced or attributed as set out in the document;”.

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

135. (1) Section 359.13 of the said Act is replaced by the following :

“359.13. A corporation may renounce an amount under section 359.2, 359.2.1 or 359.4 in respect of Canadian exploration expenses or Canadian development expenses incurred by it only to the extent that, but for the renunciation, it would be entitled to a deduction in respect of the expenses in computing its income.”

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

136. Section 359.14 of the said Act is repealed.

137. (1) Section 359.15 of the said Act is replaced by the following:

“359.15. Where the amount that a corporation purports to renounce to a person under section 359.2, 359.2.1 or 359.4 exceeds the amount that it can renounce to the person under that section, the following rules apply:

(a) the corporation shall file a statement with the Minister in prescribed form where

i. the Minister sends a notice in writing to the corporation demanding the statement, or

ii. the excess arose as a consequence of a renunciation purported to be made in a calendar year under section 359.2 or 359.2.1, as the case may be, because of the application of section 359.8 and, at the end of the year, the corporation knew or ought to have known of all or part of the excess;

(b) where subparagraph i of subparagraph *a* applies, the statement shall be filed not later than 30 days after the Minister sends a notice referred to therein;

(c) where subparagraph ii of subparagraph *a* applies, the statement shall be filed before 1 March of the calendar year following the year in which the purported renunciation was made; and

(d) except for the purposes of Part III.14, any amount that is purported to have been so renounced to any person is deemed, after the statement is filed with the Minister, to have always been reduced by the portion of the excess identified in the statement in respect of that purported renunciation.

Where a corporation fails in the statement referred to in the first paragraph to apply the excess fully to reduce one or more purported renunciations, the Minister may at any time reduce the total amount purported to be renounced by the corporation to one or more persons by the amount of the unapplied excess.

In the case referred to in the second paragraph, except for the purposes of Part III.14, the amount purported to have been renounced by the corporation to a person is deemed, after the time referred to therein, to have always been

reduced by the portion of the unapplied excess allocated by the Minister in respect of that person.”

(2) Subsection 1 applies in respect of purported renunciations made after 31 December 1996. However, where subsection 1 applies in respect of purported renunciations made before 1 January 1999, the portion of the first paragraph of section 359.15 of the said Act before subparagraph *a*, enacted thereby, shall be read as follows:

“359.15. Where an amount that a corporation purports to renounce to a person under section 359.2, 359.2.1, 359.4 or 359.6 exceeds the amount that it can renounce to the person under that section, the following rules apply:”.

138. (1) Section 359.16 of the said Act is replaced by the following:

“359.16. For the purposes of paragraph *c*.0.1 of section 359, the first and second paragraphs of section 359.1 and sections 359.2 to 359.15, 359.18, 359.19 and 419.0.1, a partnership is deemed to be a person and its taxation year is deemed to be its fiscal period.”

(2) Subsection 1 applies to fiscal periods that end after 31 December 1995.

139. (1) Section 359.17 of the said Act is replaced by the following:

“359.17. For the purposes of paragraph *c* of section 359.8, where an expense would, but for paragraph *b* of section 359.3, be incurred in a calendar year by a corporation and the expense is deemed by section 359.3 to be incurred by a partnership, the partnership and the corporation are deemed not to deal with each other at arm’s length at any time during that period only where a share of the expense of the partnership is included because of paragraph *d* of section 395 in the Canadian exploration expense of the corporation or a member of the partnership with whom the corporation does not deal at arm’s length at any time during that period.”

(2) Subsection 1 applies in respect of expenses incurred after 31 December 1996, other than expenses incurred before 1 March 1997 in respect of an agreement entered into in the calendar year 1995.

140. (1) Section 359.18 of the said Act is replaced by the following:

“359.18. For the purposes of section 181, paragraphs *c* to *e* of section 330, sections 333.1 to 333.3, 362 to 394, 600.1 and 600.2, Divisions I, I.1, III to IV.2 and V, subparagraph *iv* of subparagraph *a*.2 of the first paragraph of section 726.6 and subparagraph *b* of the second paragraph of section 1129.60, where a person’s share of an outlay or expense made or incurred by a partnership in a fiscal period of the partnership is included in respect of the person under section 372, to the extent that it refers to paragraph *d* of section 364, under paragraph *d* of section 395 or 408, or under paragraph *b* of section 418.2, the portion of the outlay or expense so included is deemed,

except for the purpose of applying sections 372, 395 to 397, 408 to 410 and 418.2 to 418.4 in respect of the person, to have been made or incurred by the person at the end of that fiscal period.”

(2) Subsection 1 applies to fiscal periods that end after 31 December 1996.

141. (1) Section 359.19 of the said Act is replaced by the following :

“359.19. A corporation is not entitled to renounce under section 359.2, 359.2.1 or 359.4 to a person a specified amount where the corporation would not be entitled to so renounce the specified amount if the words “end of that fiscal period” in section 359.18 were read as “time the outlay or expense is made or incurred by the partnership” and the words “on the effective date of the renunciation” in paragraph *a* of each of sections 359.3 and 359.5 were read as “at the earliest time that any part of such expense is incurred by the corporation”.

For the purposes of the first paragraph, a specified amount in respect of a corporation is an amount that represents all or part of

(a) the corporation’s share of the outlay or expense made or incurred by a partnership of which the corporation is a member or former member; or

(b) an amount renounced to the corporation under section 359.2, 359.2.1 or 359.4.”

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

142. (1) Section 363 of the said Act is amended by adding, after subparagraph *g* of the first paragraph, the following subparagraphs :

“(h) the generation of energy using prescribed property; and

“(i) the development of projects for which it is reasonable to expect that at least 50% of the capital cost of the depreciable property to be used in each project would be the capital cost of prescribed property.”

(2) Subsection 1 has effect from 6 December 1996.

143. (1) The said Act is amended by inserting, after section 372, the following section :

“372.1. A taxpayer’s foreign exploration and development expenses do not however include

(a) any amount included at any time in the capital cost to the taxpayer of any depreciable property of a prescribed class;

(b) an expenditure incurred at any time after the commencement of production from a foreign resource property of the taxpayer in order to evaluate the feasibility of a method of recovery of petroleum, natural gas or related hydrocarbons from the portion of a natural reservoir to which the foreign resource property relates;

(c) an expenditure, other than a drilling expense, incurred at any time after the commencement of production from a foreign resource property of the taxpayer in order to assist in the recovery of petroleum, natural gas or related hydrocarbons from the portion of a natural reservoir to which the foreign resource property relates; or

(d) an expenditure incurred at any time relating to the injection of any substance to assist in the recovery of petroleum, natural gas or related hydrocarbons from a natural reservoir.”

(2) Subsection 1 applies to taxation years that end after 5 December 1996.

144. (1) Sections 381 and 383 of the said Act are repealed.

(2) Subsection 1 applies in respect of renunciations made

(1) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation before 6 March 1996;

(2) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation after 5 March 1996 under an agreement in writing entered into before 6 March 1996 by the joint exploration corporation or by another corporation where the other corporation controlled the joint exploration corporation, or had undertaken to incorporate it, at the time the agreement was entered into;

(3) after 5 March 1996, in any other case.

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

(1) by inserting, after paragraph *c.1*, the following subparagraph:

“(c.2) any Canadian renewable and conservation expense incurred by the taxpayer;”;

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

“(d) subject to section 418.37, the taxpayer’s share of the expenses described in paragraphs *a* to *b.1* and *c* to *c.2* incurred by a partnership in a fiscal period thereof, if at the end of the period the taxpayer is a member thereof; or”.

(2) Subsection 1 has effect from 6 December 1996.

146. (1) Section 396 of the said Act is replaced by the following:

“396. A taxpayer’s Canadian exploration expenses do not however include

(a) any consideration given by the taxpayer for any share, or for any interest therein or right thereto, except as provided by paragraph *e* of section 395;

(b) any expense described in paragraph *e* of section 395 and incurred by any other taxpayer to the extent that the expense is a Canadian exploration expense of that other taxpayer by virtue of that paragraph, a Canadian development expense of that other taxpayer by virtue of paragraph *e* of section 408 or a Canadian oil and gas property expense of that other taxpayer by virtue of paragraph *c* of section 418.2;

(c) any amount, other than a Canadian renewable and conservation expense, included at any time in the capital cost to the taxpayer of any depreciable property of a prescribed class;

(d) an expenditure incurred at any time after the commencement of production from a Canadian resource property of the taxpayer in order to evaluate the feasibility of a method of recovery of, or to assist in the recovery of, petroleum, natural gas or related hydrocarbons from the portion of a natural reservoir to which the Canadian resource property relates;

(e) an expenditure incurred at any time relating to the injection of any substance to assist in the recovery of petroleum, natural gas or related hydrocarbons from a natural reservoir; or

(f) the taxpayer’s share of any consideration, expense, cost or expenditure referred to in any of paragraphs *a* to *e* given or incurred, as the case may be, by a partnership.”

(2) Subsection 1 applies to taxation years that end after 5 December 1996.

147. (1) Section 399.2 of the said Act is repealed.

(2) Subsection 1 has effect from 7 March 1996.

148. Section 399.3 of the said Act is amended by replacing, in subparagraph *a* of the third paragraph, “section 359.5 or sections 417 and 418” by “section 359.5 or sections 417 and 418, as they read in respect of those expenses,”.

149. Section 399.6 of the said Act is amended by replacing, in paragraph *c*, “359.2.1, 359.4 or 417” by “359.2.1 or 359.4 or section 417, as it read in respect of the renunciation,”.

150. (1) Section 399.7 of the said Act is replaced by the following:

“399.7. In this chapter,

“Canadian renewable and conservation expense” has the meaning assigned by the regulations;

“specified purpose” means

(a) the operation of an oil or gas well for the sole purpose of testing the well or the well head and related equipment, in accordance with generally accepted engineering practices;

(b) the burning of natural gas and related hydrocarbons to protect the environment; and

(c) any prescribed purpose.

For the purpose of determining whether an outlay or expense meets the prescribed criteria in respect of Canadian renewable and conservation expenses, the Technical Guide to Canadian Renewable and Conservation Expenses, as amended from time to time and published by the Department of Natural Resources of Canada, shall apply conclusively with respect to engineering and scientific matters.”

(2) Subsection 1 has effect from 6 December 1996.

151. (1) Section 400 of the said Act is amended by replacing the portion before paragraph *a* by the following:

“400. A development corporation, other than a corporation that would not be a development corporation if the first paragraph of section 363 were read without reference to subparagraphs *h* and *i* thereof, may, in computing its income for a taxation year, deduct any amount not exceeding the lesser of”.

(2) Subsection 1 applies to taxation years that end after 5 December 1996.

152. (1) Sections 406 and 407 of the said Act are repealed.

(2) Subsection 1 applies in respect of renunciations made

(1) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation before 6 March 1996;

(2) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation after 5 March 1996 under an agreement in writing entered into before 6 March 1996 by the joint exploration corporation or by another corporation where the other corporation controlled the joint exploration corporation, or had undertaken to incorporate it, at the time the agreement was entered into;

(3) after 5 March 1996, in any other case.

153. (1) Section 409 of the said Act is replaced by the following:

“409. A taxpayer’s Canadian development expenses do not however include

(a) any consideration given by the taxpayer for any share, or for any interest therein or right thereto, except as provided by paragraph *e* of section 408;

(b) any expense described in paragraph *e* of section 408 and incurred by another taxpayer to the extent that the expense is a Canadian development expense of that other taxpayer by virtue of that paragraph, a Canadian exploration expense of that other taxpayer by virtue of paragraph *e* of section 395 or a Canadian oil and gas property expense of that other taxpayer by virtue of paragraph *c* of section 418.2;

(c) any amount included at any time in the capital cost to the taxpayer of any depreciable property of a prescribed class; or

(d) the taxpayer’s share of any consideration, expense, cost or expenditure referred to in any of paragraphs *a* to *c* given or incurred, as the case may be, by a partnership.”

(2) Subsection 1 applies to taxation years that end after 5 December 1996.

154. Section 414 of the said Act is amended, in subparagraph *b* of the second paragraph,

(1) by replacing the portion before subparagraph *i* by the following:

“(b) the amount by which the total of the aggregate of all amounts deducted in computing the taxpayer’s income for the year under section 357 in respect of a Canadian resource property or under section 358 and the aggregate of all amounts deducted for the year under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), sections 418.16 to 418.19 and section 418.21, that can reasonably be attributed to the amounts referred to in subparagraphs *i* to *iii* for the year, exceeds the total, before any deduction under section 88.4 of the Act respecting the application of the Taxation Act or any of sections 359 to 419.6, of”;

(2) by replacing subparagraph *iii* by the following:

“iii. the aggregate of all amounts included in computing the taxpayer’s income for the year under paragraph *e* of section 330 that can reasonably be attributed to the disposition by the corporation, in the year or in a preceding taxation year, of any interest or right in a Canadian resource property, to the

extent that the proceeds of disposition have not been included in computing an amount for a preceding taxation year under this subparagraph, subparagraph i of subparagraph *a* of the third paragraph of sections 418.16 and 418.18, subparagraph iii of subparagraph *c* of the first paragraph of section 418.20, section 418.28, or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause A of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules.”

155. (1) Sections 417 and 418 of the said Act are repealed.

(2) Subsection 1 applies in respect of renunciations made

(1) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation before 6 March 1996;

(2) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation after 5 March 1996 under an agreement in writing entered into before 6 March 1996 by the joint exploration corporation or by another corporation where the other corporation controlled the joint exploration corporation, or had undertaken to incorporate it, at the time the agreement was entered into;

(3) after 5 March 1996, in any other case.

156. (1) Section 418.2 of the said Act is amended by replacing, in the portion before paragraph *a*, “For the purposes of sections 362 to 418.14,” by “In sections 362 to 394, Divisions III and IV and this division,”.

(2) Subsection 1 has effect from 6 March 1996.

157. (1) Sections 418.13 and 418.14 of the said Act are repealed.

(2) Subsection 1 applies in respect of renunciations made

(1) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation before 6 March 1996;

(2) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation after 5 March 1996 under an agreement in writing entered into before 6 March 1996 by the joint exploration corporation or by another corporation where the other corporation controlled the joint exploration corporation, or had undertaken to incorporate it, at the time the agreement was entered into;

(3) after 5 March 1996, in any other case.

158. Section 418.15 of the said Act is amended in the first paragraph,

(1) by replacing subparagraphs i to iii of subparagraph *b* by the following :

“i. that acquired the property in circumstances in which any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), applies, or would apply if the corporation had continued to own the property, to the corporation in respect of the property,

“ii. that disposed of the property to another corporation that acquired it in circumstances in which any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, applies, or would apply if the other corporation had continued to own the property, to the other corporation in respect of the property, and

“iii. that would, but for section 418.33, 418.34 or 418.36, as the case may be, be entitled in computing its income for a taxation year ending after it disposed of the property to a deduction under any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, in respect of expenses incurred by an original owner of the property;”;

(2) by replacing subparagraphs i and ii of subparagraph *c* by the following :

“i. who owned the property and disposed of it to a corporation that acquired it in circumstances in which any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, applies, or would apply if the corporation had continued to own the property, to the corporation in respect of the property, and

“ii. who would, but for section 418.31, 418.32 or 418.36, as the case may be, be entitled in respect of expenses described in section 88.5 of the Act respecting the application of the Taxation Act, to the extent that section 88.4 of that Act refers to expenses described in subparagraph i or ii of paragraph *c* of subsection 25 of section 29 of the Income Tax Application Rules, Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses incurred by the person before the person disposed of the property to a deduction, in computing the person’s income for a taxation year ending after the person disposed of the property under that section 88.4, to the extent that it refers to section 29 of the Income Tax Application Rules, or under section 367, 368, 371, 400, 401, 413, 414 or 418.7.”

159. (1) Section 418.22 of the said Act is amended

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

“418.22. Section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), and sections 418.16 to 418.19 and 418.21 do not apply”;

(2) by replacing, in paragraph *b*, “86” and “sections 359 to 359.17, 362 to 418.14 or 419 to 419.4 or section 419.6 if those sections” by “88.4” and “Divisions I, I.1 or III to IV.1, sections 362 to 394, 419 to 419.4 or section 419.6 if those sections and divisions”, respectively.

(2) Paragraph 2 of subsection 1, except where it replaces “86” in paragraph *b* of section 418.22 of the said Act, has effect from 6 March 1996.

160. Section 418.23 of the said Act is amended

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

“418.23. Section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), and sections 418.16, 418.18, 418.19 and 418.21 apply only to a corporation that has acquired a particular Canadian resource property, in this section referred to as “particular property”,;

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

“(d) where it acquired the particular property after 16 November 1978 and in a taxation year ending before 18 February 1987 by any means other than by way of an amalgamation or winding-up and it and the person from whom it acquired the particular property have filed with the Minister a joint election under and in accordance with sections 376 to 379, 402 to 405, 415 to 415.3 and 418.8 to 418.11 and section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules as all those sections read in their application to that year; and”.

161. (1) Section 418.26 of the said Act is amended

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

“418.26. Where, at any time after 12 November 1981, control of a corporation has been acquired by a person or group of persons, or a corporation ceases to be exempt from tax under this Part on its taxable income, for the purposes of the provisions of the Act respecting the application of the Taxation

Act (chapter I-4) and of this Part, other than sections 359.2, 359.2.1, 359.2.2, 359.4 and 359.13, relating to deductions in respect of drilling and exploration expenses, prospecting, exploration and development expenses, Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, in this section referred to as “resource expenses”, incurred by the corporation before that time, the following rules apply:”;

(2) by replacing subparagraphs *i* and *ii* of paragraph *e* by the following:

“*i.* the transferor may designate in favour of the transferee, in respect of a taxation year of the transferor ending after that time, if throughout that year the transferee was such a particular corporation or subsidiary wholly-owned corporation of the transferor, an amount not exceeding the amount referred to in section 418.28, for the purpose of making a deduction under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), or this division in respect of resource expenses incurred by the transferee before that time while the transferee was such a particular corporation or subsidiary wholly-owned corporation of the transferor, to the extent that the amount so designated is not designated in favour of any other taxpayer under this paragraph and only if both corporations agree to have this paragraph apply to them in respect of that year and notify the Minister in writing of the agreement in the fiscal return under this Part of the transferor for that year; and

“*ii.* the amount so designated is deemed, for the purpose of computing an amount under the third paragraph of sections 418.16, 418.18 and 418.19, subparagraph *c* of the first paragraph of section 418.20, as that subparagraph would read but for the words “to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or” and if the words “or the amount by which” read “to the amount by which”, the third paragraph of section 418.21 and section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules, to be income from the sources described in paragraph *a* or *b*, as the case may be, of section 418.28 of the transferee for its taxation year in which that taxation year of the transferor ends, and not to be income from those sources for that year;”;

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

“(h) where that time is after 15 January 1987 and at that time the corporation was a member of a partnership that owned a Canadian resource property or a foreign resource property at that time, for the purposes of paragraph *a*, the corporation is deemed to have owned immediately before that time that portion of the property owned by the partnership at that time that is equal to its percentage share of the aggregate of amounts that would be paid to all

members of the partnership if it were wound up at that time, and, for the purposes of subparagraph iii of subparagraph *a* of the third paragraph of section 418.16, subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.17, subparagraph iii of subparagraph *a* of the third paragraph of section 418.18, subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.19, subparagraph i of subparagraph *c* of the first paragraph of section 418.20 and subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.21 and of section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause B of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules, for a taxation year ending after that time, the lesser of the following amounts is deemed to be the income of the corporation for the year that can reasonably be attributed to production from the property.”.

(2) Paragraph 1 of subsection 1, where it strikes out, in the portion of section 418.26 of the said Act before paragraph *a*, the reference to section 359.6 thereof, applies to taxation years that begin after 31 December 1998.

162. Section 418.30 of the said Act is replaced by the following :

“418.30. Where, at any time, control of a taxpayer that is a corporation has been acquired by a person or group of persons, or a taxpayer has disposed of all or substantially all of the taxpayer’s Canadian resource properties or foreign resource properties, and, before that time, the taxpayer or a partnership of which the taxpayer was a member acquired a property that is a Canadian resource property, a foreign resource property or an interest in a partnership and it may reasonably be considered that one of the main purposes of the acquisition was to avoid any limitation provided in any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), on the deduction in respect of any expenses incurred by the taxpayer or a corporation referred to as a “transferee” in paragraph *e* or *f* of section 418.26, the taxpayer or the partnership, as the case may be, is, for the purpose of applying sections 418.16 to 418.21 and section 88.4 of that Act, to the extent that that section refers to subsection 25 of section 29 of those rules to or in respect of the taxpayer, deemed not to have acquired the property.”

163. Section 418.31 of the said Act is amended

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

“418.31. Where in a taxation year an original owner of Canadian resource properties disposes of all or substantially all of the original owner’s Canadian resource properties to a particular corporation in circumstances in which section 418.16, 418.18, 418.19 or 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that

that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), applies, the following rules apply:";

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

"(e) the drilling and exploration expenses, including all general geological and geophysical expenses, incurred by the original owner before 1 January 1972 on or in respect of exploring or drilling for petroleum or natural gas in Canada and the prospecting, exploration and development expenses incurred by the original owner before 1 January 1972 in searching for minerals in Canada are, for the purposes of section 88.4 of the Act respecting the application of the Taxation Act, deemed after the disposition not to have been incurred by the original owner except for the purpose of making a deduction under section 88.4 of that Act for the year and of determining the amount that may be deducted under that section 88.4, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, by the particular corporation or any other corporation that subsequently acquires any of the properties."

164. (1) Section 418.36 of the said Act is amended

(1) by replacing "section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24), to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972) (R.R.Q., 1981, chapter I-4, r.2)" by "section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section";

(2) by replacing "sections 359 to 359.17, 362 to 418.14 or 419 to 419.4 or section 419.6" by "Divisions I, I.1 or III to IV.1 or sections 362 to 394, 419 to 419.4 or 419.6".

(2) Paragraph 2 of subsection 1 has effect from 6 March 1996.

165. Section 419.1 of the said Act is replaced by the following:

"419.1. Sections 419.2 to 419.4 apply where a taxpayer has made a payment or a loan mentioned in subsection 3 of section 383, as it read in respect of that payment or loan, after 19 April 1983, to a joint exploration corporation in respect of which the corporation has at any time renounced, in favour of the taxpayer, under section 406, 417 or 418.13, as they read in respect of that renunciation, any Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, in sections 419.2 to 419.4 referred to as "resource expenses"."

166. Section 450.10 of the said Act is amended, in the English text, by replacing subparagraph i of paragraph *d* of section 99 of the said Act, enacted by paragraph *b*, by the following:

““i. where the proportion of the use made of the property to gain income has increased at a particular time, the taxpayer is deemed to have acquired at that time depreciable property of that class at a capital cost equal to the proportion of the fair market value of the property at that time that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of the property;” and”.

167. Section 484.3 of the said Act is amended, in the English text, by replacing the portion before paragraph *a* by the following:

“484.3. An amount paid at any time by a person as, on account or in lieu of payment of, or in satisfaction of, a specified amount of a debt that can reasonably be considered to have been included in the amount determined under subparagraph *a*, *c* or *d* of the second paragraph of section 484.2 in respect of a property surrendered before that time by the person is deemed to be a repayment of assistance, at that time in respect of the property, to which”.

168. (1) Section 485.8 of the said Act is amended by replacing subparagraph ii of paragraph *e* by the following:

“ii. the amount so applied does not exceed such portion of the aggregate of the debtor’s foreign exploration and development expenses as were incurred by the debtor before that time and would be deductible under section 371 in computing the debtor’s income for that year if the aggregate determined in respect of the debtor under paragraph *b* of section 374 were sufficient and if that year ended at that time.”

(2) Subsection 1 applies to taxation years that end after 5 December 1996.

169. (1) Section 518.1 of the said Act is amended by replacing paragraph *b* by the following:

“(b) a capital property that is immovable property, or an interest in or an option in respect of immovable property, owned by an insurer not resident in Canada where that capital property and the property received as consideration for that property are designated insurance property for that year;”.

(2) Subsection 1 applies in respect of dispositions that occur in the taxation year 1997 or in any subsequent taxation years of an insurer.

170. (1) Section 544 of the said Act is amended by replacing subsection 4 by the following:

“(4) Where there has been an amalgamation of a corporation and one or more of its subsidiary wholly-owned corporations or two or more corporations each of which is a subsidiary wholly-owned corporation of the same person, the new corporation is, for the purposes of Chapter VII.1 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 332.1, 332.2, 359.1 to 359.17, 362 to 418.36, 419.1 to 419.4 and 419.6, deemed to be the

same corporation as, and a continuation of, each predecessor corporation. However, this subsection shall in no respect affect the determination of any predecessor corporation's fiscal period, taxable income or tax payable."

(2) Subsection 1 applies from (*insert the date of assent to this Act*). However, subsection 4 of section 544 of the said Act, enacted by subsection 1, shall be read with " , sections 95 and 96 of the Act respecting the application of the Taxation Act (1972, chapter 24), as they read before being repealed," added after "(chapter I-4)", where subsection 1 applies in respect of renunciations made

(1) before 1 January 2007, in respect of an amount paid or loaned to a joint exploration corporation before 6 March 1996;

(2) before 1 January 2007, in respect of an amount paid or loaned to a joint exploration corporation after 5 March 1996 under an agreement in writing entered into before 6 March 1996 by the joint exploration corporation or by another corporation where the other corporation controlled the joint exploration corporation, or had undertaken to incorporate it, at the time the agreement was entered into.

171. (1) Section 550.7 of the said Act is amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

"550.7. Where there has been an amalgamation of two or more corporations each of which is a development corporation, within the meaning of section 363, or a corporation that at no time carried on business, and a predecessor corporation entered into an agreement with a person at a particular time under which the predecessor corporation issued or agreed to issue, for consideration given by the person, a share that was a flow-through share or that would have been a flow-through share if it had been issued, the following rules apply for the purposes of section 359.8 and Part III.14 and for the purpose of renouncing an amount under section 359.2, 359.2.1 or 359.4 in respect of Canadian exploration expenses or Canadian development expenses that would, but for the renunciation, be incurred by the new corporation after the amalgamation:"

(2) Subsection 1 applies in respect of amalgamations that occur after 31 December 1995. However, where the portion of the first paragraph of section 550.7 of the said Act before subparagraph *a*, enacted by subsection 1, applies in respect of amalgamations that occur before 1 January 1999, it shall be read as follows:

"550.7. Where there has been an amalgamation of two or more corporations each of which is a development corporation, within the meaning of section 363, or a corporation that at no time carried on business, and a predecessor corporation entered into an agreement with a person at a particular time under which the predecessor corporation issued or agreed to issue, for consideration given by the person, a share that was a flow-through share or

that would have been a flow-through share if it had been issued, the following rules apply for the purposes of section 359.8 and Part III.14 and for the purpose of renouncing an amount under section 359.2, 359.2.1, 359.4 or 359.6 in respect of Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses that would, but for the renunciation, be incurred by the new corporation after the amalgamation:”.

172. (1) Section 564.0.1 of the said Act is amended, in the English text of the portion before paragraph *a*, by replacing the words “gross investment income” by the words “gross investment revenue”.

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

173. Section 565.1 of the said Act is replaced by the following:

“565.1. For the purposes of Chapter VII.1 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 332.1, 332.2, 359.1 to 359.17, 362 to 418.36, 419.1 to 419.4 and 419.6, where the rules in sections 556 to 564.1 and 565 apply to the winding-up of a subsidiary, its parent is deemed to be the same corporation as, and a continuation of, the subsidiary.”

174. Section 570 of the said Act is amended by replacing paragraph *n* by the following:

“(n) “private corporation” at any particular time means a corporation that is resident in Canada at that time, is not a public corporation and is not controlled by one or more public corporations, other than prescribed venture capital corporations, or prescribed State bodies or federal Crown bodies or by any combination thereof;”.

175. (1) Section 600 of the said Act is amended by replacing paragraph *d* by the following:

“(d) in computing each income or loss of the partnership for a taxation year, no account shall be taken of paragraph z.4 of section 87, sections 145 and 217.2 to 217.9, paragraphs *d* and *e* of section 330 and section 418.12, and no deduction is permitted under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), section 217.13, the first paragraph of section 360 or sections 362 to 418.12;”.

(2) Subsection 1, where it adds, in paragraph *d* of section 600 of the said Act, a reference to paragraph z.4 of section 87 thereof, applies to fiscal periods that begin after 31 December 1996, and, where it replaces, in that paragraph *d*, the reference to section 418.14 of the said Act by a reference to section 418.12 thereof, applies from 6 March 1996.

176. Section 646 of the said Act is amended, in the English text, by replacing the first paragraph by the following:

“646. In this Part, a trust, wherever it is created, or a succession, in this Title referred to as a “trust”, also includes the trustee, liquidator, administrator, heir or other legal representative having ownership or control of the property of the trust or succession.”

177. (1) Section 694.0.1 of the said Act, enacted by section 104 of chapter 85 of the statutes of 1997, is replaced by the following:

“694.0.1. An individual shall, in computing the taxable income of the individual for a taxation year, include the portion relating to one or more preceding taxation years of the aggregate of all amounts deducted by the individual in computing the individual’s income for the year under section 336.0.3 or 336.0.4, where the total of that portion is at least \$300.”

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

178. (1) Section 725.1.2 of the said Act, enacted by section 109 of chapter 85 of the statutes of 1997, is amended by replacing subparagraph *c* of the second paragraph by the following:

“(c) an amount that is a support amount as defined in the first paragraph of section 312.3 or an amount referred to in section 312.5;”.

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

179. (1) Section 726.4.10 of the said Act, amended by section 330 of chapter 85 of the statutes of 1997, is again amended by replacing, in subparagraph 1 of subparagraph *i* of paragraph *a*, “expenses described in paragraphs *a* to *b.1*, *c* and *c.1*” by “expenses described in paragraphs *a* to *b.1* and *c* to *c.2*”.

(2) Subsection 1 has effect from 6 December 1996.

180. (1) Section 726.4.17.2 of the said Act, amended by section 330 of chapter 85 of the statutes of 1997, is again amended by replacing, in subparagraph *i* of paragraph *a*, “expenses described in paragraphs *a* to *b.1*, *c* and *c.1*” by “expenses described in paragraphs *a* to *b.1* and *c* to *c.2*”.

(2) Subsection 1 has effect from 6 December 1996.

181. (1) Section 726.4.17.11 of the said Act is amended by replacing, in subparagraphs *i* and *ii* of subparagraph *b* of the second paragraph, “, 359.4 or 359.6” by “or 359.4”.

(2) Subsection 1 applies in respect of renunciations made after 31 December 1998.

182. (1) Section 726.20.1 of the said Act, amended by section 110 of chapter 85 of the statutes of 1997, is again amended by replacing subparagraph *ii* of paragraph *b* of the definition of “resource property” by the following:

“ii. the particular partnership incurs Canadian exploration expenses or Canadian development expenses after 14 May 1992; or”.

(2) Subsection 1 applies in respect of expenses incurred by a partnership after 5 March 1996, other than expenses incurred before 1 January 1999 in respect of consideration obtained by the partnership for an interest in the partnership before 6 March 1996 or under the terms of an agreement in writing entered into before 6 March 1996 or under the terms of a final prospectus or an exemption from filing a prospectus filed before 6 March 1996 with a public authority in Canada in accordance with securities legislation of a province.

183. (1) Section 737.26 of the said Act is amended by adding the following paragraph:

“For the purposes of the first paragraph and notwithstanding the definition of “basic income” in section 737.24, no amount may be included in computing an individual’s basic income or regarded as an out-of-Canada living allowance for a taxation year in respect of the individual’s employment by an employer where

(a) the employer carries on a business of providing services and does not employ in the business throughout the year more than five full-time employees;

(b) the individual does not deal at arm’s length with the employer, or is a specified shareholder of the employer, or, where the employer is a partnership, does not deal at arm’s length with a member of the partnership, or is a specified shareholder of a member of the partnership; and

(c) but for the existence of the employer, the individual would reasonably be regarded as an employee of a person or partnership that is not a specified employer.”

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

184. (1) Section 751 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1995.

185. (1) Section 752.0.6 of the said Act is replaced by the following:

“752.0.6. No amount may be deducted by an individual under section 752.0.1 for a taxation year in respect of a person where the individual is, for any period in the year, required to pay a support amount, as defined in the first paragraph of section 336.0.2, to a recipient referred to in that definition in respect of the person.”

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

186. Section 752.0.18.12 of the said Act, enacted by section 136 of chapter 85 of the statutes of 1997, is amended by replacing, in paragraph *b*, the words “of Her Majesty” by the words “of the State or of Her Majesty”.

187. (1) Section 776.89 of the said Act, enacted by section 188 of chapter 85 of the statutes of 1997, is amended

(1) in paragraph *d*, by striking out “of subsection 1” and by replacing, in the French text, the word “sous-paragraphe” by the word “paragraphe”;

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

“(d.1) section 336.0.3, the amount is deemed, notwithstanding those provisions, to be so deductible for the purposes of subparagraph *c* of the second paragraph of that section;”.

(2) Paragraph 2 of subsection 1 applies from the taxation year 1998.

188. Section 805 of the said Act is amended by replacing, in subparagraph *a* of the first paragraph, the words “an agent” and “Her Majesty in right of a province or by” by the words “a mandatary” and “the State, Her Majesty in right of a province or”, respectively.

189. Section 817 of the said Act is amended by replacing, in the portion of the first paragraph before subparagraph *a*, the word “Title” by the word “Part,”.

190. (1) Section 818 of the said Act is replaced by the following:

“**818.** In this Title, “designated insurance property” for a taxation year of an insurer, other than an insurer resident in Canada that at no time in the year carried on a life insurance business, that, at any time in the year, carried on an insurance business in Canada and elsewhere means property determined in accordance with the prescribed rules.

However, in its application to any taxation year, “designated insurance property” for the taxation year 1996 or a preceding taxation year means property that was, under this section as it read in its application to that year, used or held by an insurer in the year in the course of carrying on an insurance business in Canada.”

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

191. (1) Section 824 of the said Act is replaced by the following:

“**824.** Notwithstanding any other provision of this Part, where a life insurer resident in Canada carries on an insurance business in Canada and elsewhere in a taxation year, the following rules apply:

(a) its income or loss for the year from carrying on an insurance business is the amount of its income or loss for the year, computed in accordance with this Part, from the business in Canada;

(b) no amount shall be included in computing its income for the year in respect of its taxable capital gains and allowable capital losses from dispositions of property, other than property disposed of in a taxation year in which it was designated insurance property, of the insurer used or held by it in the course of carrying on an insurance business.”

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

192. (1) Section 825 of the said Act is amended

(1) by replacing subparagraphs *a* and *b* of the first paragraph by the following:

“(a) its gross investment revenue for the year from its designated insurance property for the year; and

“(b) the amount prescribed in respect of the insurer for the year.”;

(2) by replacing, in the English text of the portion of the second paragraph before subparagraph *a* and of subparagraph *d* of that paragraph, the words “gross investment income” by the words “gross investment revenue”;

(3) in subparagraph *e* of the second paragraph, by striking out “of subsection 1” and by replacing, in the French text, the word “sous-paragraphe” by the word “paragraphe”.

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

193. (1) Section 825.0.1 of the said Act is replaced by the following:

“825.0.1. Notwithstanding sections 851.22.4 to 851.22.22, where in a taxation year an insurer carries on an insurance business in Canada and elsewhere, the following rules apply in computing its income for the year from carrying on its insurance business in Canada:

(a) sections 851.22.4, 851.22.5 and 851.22.14 to 851.22.22 apply only in respect of property that is designated insurance property for the year in respect of the business; and

(b) sections 851.22.6 to 851.22.13 apply only in respect of the disposition of property that, for the taxation year in which the insurer disposed of it, was designated insurance property in respect of the business.”

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

194. (1) Section 828 of the said Act is repealed.

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

195. (1) Sections 832.1 and 832.1.1 of the said Act are replaced by the following:

“832.1. Subject to section 832.1.1, where a property of a life insurer resident in Canada that carries on an insurance business in Canada and elsewhere or of an insurer not resident in Canada is described in the second paragraph for a taxation year, the insurer is deemed to have disposed of the property at the beginning of the year for proceeds of disposition equal to its fair market value at that time and to have immediately thereafter reacquired the property at a cost equal to that fair market value.

A property to which the first paragraph refers for a taxation year is

(a) designated insurance property for the year that was owned by the insurer at the end of the preceding taxation year and was not designated insurance property of the insurer for that preceding year; or

(b) property that is not designated insurance property for the year, was owned by the insurer at the end of the preceding taxation year and was designated insurance property of the insurer for that preceding year.

However, the first and second paragraphs shall be disregarded in applying subparagraph i of paragraph e of section 93, subparagraph iv of that paragraph where it refers to the capital cost of a property and sections 140, 140.1 and 818.

“832.1.1. Section 832.1 does not apply to deem a disposition in a taxation year of a property of an insurer where the insurer is deemed by section 851.22.15 to have disposed of the property in the preceding taxation year.”

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

196. (1) Section 832.3 of the said Act, amended by section 196 of chapter 85 of the statutes of 1997, is again amended, in the second paragraph,

(1) by replacing subparagraph e by the following:

“(e) for the purpose of determining the amount of gross investment revenue required by the first paragraph of section 825 to be included in computing the transferor’s income for the taxation year referred to in subparagraph d and its gains and losses from its designated insurance property for its subsequent taxation years, the transferor is deemed to have transferred the business referred to in subparagraph a of the first paragraph, the property referred to in subparagraph b of that paragraph and the obligations referred to in

subparagraph *c* of that paragraph to the transferee on the last day of the taxation year referred to in subparagraph *d*;"

(2) by inserting, after subparagraph *f*, the following subparagraph:

"(f.1) for the purpose of determining the income of the transferor and the transferee for their taxation years following their taxation years referred to in subparagraph *d*, the amounts included under paragraph *e.1* of section 87 and paragraph *a.1* of section 844 in computing the transferor's income for its taxation year referred to in subparagraph *d* in respect of the insurance policies of the business referred to in subparagraph *a* of the first paragraph are deemed to have been included in computing the income of the transferee, and not of the transferor, for their taxation years referred to in subparagraph *d*;"

(2) Paragraph 1 of subsection 1 applies in respect of the transfer by an insurer of an insurance business in its taxation year 1997 or in any of its subsequent taxation years.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1996.

197. (1) Section 832.6 of the said Act is amended

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

"(b) for the purposes of paragraphs *d* and *e* of section 87, sections 818 and 825 and paragraph *a* of section 844, the insurer is deemed to have carried on the insurance business in Canada in the preceding taxation year referred to in paragraph *a* and to have claimed the maximum amounts to which it would have been entitled under sections 140, 140.1 and 140.2, the second paragraph of section 152 and paragraphs *a*, *a.1* and *d* of section 840 for that year;"

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

"(b.1) for the purposes of section 157.6.1 and paragraph *a.2* of section 840, the insurer is deemed to have carried on the insurance business in Canada in the preceding taxation year referred to in paragraph *a* and to have included, in computing its income for that preceding taxation year, the amounts that would have been prescribed in respect of the insurer for the purposes of paragraph *e.1* of section 87 and paragraph *a.1* of section 844 for that year in respect of the insurance policies of that business;"

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

(3) Paragraph 2 of subsection 1 applies from the taxation year 1996.

198. (1) Section 832.7 of the said Act is amended

(1) by replacing, in the French text of the portion before paragraph *a*, subparagraph ii of paragraph *a* and the portion of paragraph *b* before subparagraph i, the word "branche" by the word "secteur", wherever it appears;

(2) by replacing the portion of paragraph *a* before subparagraph *i* by the following:

“(a) for the purpose of determining the amount of the gross investment revenue required to be included in computing the income of the vendor and the purchaser under the first paragraph of section 825 and the amount of the gains and losses of the vendor and the purchaser from designated insurance property for the year,”.

(2) Subsection 1 applies in respect of the disposition by an insurer of an insurance business or a line of business of an insurance business in its taxation year 1997 or in any of its subsequent taxation years.

199. (1) Section 832.9 of the said Act, amended by section 197 of chapter 85 of the statutes of 1997, is again amended by replacing paragraph *b* by the following:

“(b) the transferor has, at that time or within 60 days thereafter, in the year transferred all or substantially all of the property used or held by it in the year in the course of carrying on the insurance business in Canada referred to in paragraph *a* to a corporation resident in Canada, in this section referred to as the “transferee”, that is a subsidiary wholly-owned corporation of the transferor which, immediately after that time, began to carry on that insurance business in Canada and the consideration for the transfer includes shares of the capital stock of the transferee;”.

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

200. (1) Section 835 of the said Act is amended

(1) by striking out paragraph *a*;

(2) by adding, after paragraph *k*, the following paragraph:

“(l) “surplus funds derived from operations” of an insurer at the end of a particular taxation year means the amount by which

i. the aggregate of

(1) the total of the insurer’s income for each taxation year in the period beginning on the first day of its taxation year 1969 and ending at the end of the particular taxation year from all insurance businesses carried on by it,

(2) the total of all amounts deemed by section 736.1 to have been deductible in computing its taxable income for a taxation year ending before 1 January 1977, and

(3) the total of all profits or gains made by the insurer in the period referred to in subparagraph 1 in respect of property not included in a segregated fund that was disposed of by the insurer and used by it in, or held by it in the course

of, carrying on an insurance business in Canada, except to the extent that those profits or gains have been or are included in computing the insurer's income or loss for any taxation year in the period from carrying on an insurance business; exceeds

ii. the aggregate of

(1) the total of all the insurer's losses for each taxation year in the period referred to in subparagraph 1 of subparagraph i from all insurance businesses carried on by it,

(2) the total of all losses sustained by the insurer in the period referred to in subparagraph 1 of subparagraph i in respect of property not included in a segregated fund that was disposed of by the insurer and used by it in, or held by it in the course of, carrying on an insurance business in Canada, except to the extent that those losses have been or are included in computing the insurer's income or loss for any taxation year in the period from carrying on an insurance business,

(3) the total of all taxes payable under this Part by the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i, except such portion thereof as would not have been payable by it if section 846, as it read before its repeal in its application to each of those years, had not been enacted,

(4) the total of all amounts determined in respect of the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i, under paragraph *a* of the description of F in the definition of "surplus funds derived from operations" in subsection 12 of section 138 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), other than the amount so determined under paragraph 3 or that would be so determined but for the exception thereunder,

(5) the total of all income taxes payable under Parts I.3 and VI of the Income Tax Act by the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i,

(6) the total of all taxes payable under Part VI.1 by the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i,

(7) the total of all gifts made in the period referred to in subparagraph 1 of subparagraph i by the insurer to a person or entity described in paragraphs *a* and *c* to *l* of section 710, and

(8) the amount by which the amount determined in respect of the insurer for the particular taxation year under subparagraph i of paragraph *a* of section 841 exceeds the amount so determined under subparagraph ii of that paragraph *a*."

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

(3) Paragraph 2 of subsection 1 applies from the taxation year 1996.

201. (1) Section 836 of the said Act is replaced by the following:

“836. For the purposes of section 259, any property of a life insurer that would, but for this section, be identical to any other property of the insurer is deemed to be not identical to the other property unless both properties are designated insurance property of the insurer in respect of a life insurance business carried on in Canada or designated insurance property of the insurer in respect of an insurance business in Canada other than a life insurance business.”

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

202. (1) Section 840 of the said Act is amended

(1) by replacing, in the portion before paragraph *a*, the words “which a life insurer may deduct for the year include the following reserves” by the words “that a life insurer may deduct for the year include”;

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

“(a) any amount that the insurer claims as a policy reserve for the year in respect of its life insurance policies, not exceeding the aggregate of amounts that the insurer is allowed by regulation to deduct in respect of the policies;

“(a.1) any amount that the insurer claims as a reserve for the year in respect of claims that were received by the insurer before the end of the year under its life insurance policies and that are unpaid at the end of the year, not exceeding the aggregate of amounts that the insurer is allowed by regulation to deduct in respect of the policies;”;

(3) by inserting, after paragraph *a.1*, the following paragraph:

“(a.2) the amount included under paragraph *a.1* of section 844 in computing the insurer’s income for the preceding taxation year;”;

(4) by replacing the portion of paragraph *d* before subparagraph *i* by the following:

“(d) an amount as a reserve for policy dividends that will become payable by the insurer in the following taxation year equal to the least of”.

(2) Subsection 1 applies from the taxation year 1996.

203. (1) Section 842.1 of the said Act is replaced by the following:

“842.1. For the purposes of paragraph *b* of section 842, an insurer may claim a deduction under section 160 or 163 in computing its income for a taxation year from carrying on its insurance business in Canada, in respect of

(a) interest on borrowed money used to acquire designated insurance property for the year in respect of the business;

(b) interest on amounts payable for designated insurance property for the year in respect of the business;

(c) interest on deposits received or other amounts held by the insurer that arose in connection with life insurance policies in Canada or with policies insuring Canadian risks; and

(d) other interest that does not exceed the amount prescribed.”

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

204. (1) Section 844 of the said Act is amended

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

“844. An insurer shall, in computing its income for a taxation year from carrying on its life insurance business in Canada, include”;

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

“(a.1) the amount prescribed in respect of the insurer for the year in respect of its life insurance policies;”.

(2) Paragraph 2 of subsection 1 applies from the taxation year 1996.

205. (1) The said Act is amended by inserting, after section 844, the following section:

“844.0.1. For the purposes of sections 840, 841 and 844, a life insurance policy includes a benefit under a group life insurance policy or a group annuity contract.”

(2) Subsection 1 applies from the taxation year 1996.

206. (1). Section 844.3 of the said Act is amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

“844.3. Where, for a period of time in a taxation year, a life insurer owned land described in any of subparagraphs *a*, *c* and *d* of the second paragraph or an interest therein or had an interest in a building described in subparagraph *b* of that paragraph, the life insurer shall, where the land,

building or interest was designated insurance property of the insurer for the year, or property used or held by it in the year in the course of carrying on an insurance business in Canada, include in computing its income for the year the aggregate of all amounts each of which is the amount prescribed in respect of the cost or capital cost to it, as the case may be, of the land, building or interest for the period, and the amount prescribed shall, at the end of the period, be included in computing”.

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

207. (1) Section 844.4 of the said Act is amended by replacing the portion before paragraph *b* by the following :

“844.4. Where a life insurer has transferred or lent property, directly or indirectly in any manner whatever, to a person or partnership, in this section referred to as the “transferee”, that is affiliated with the insurer or a person or partnership that does not deal at arm’s length with the insurer and that property, property substituted for that property or property the acquisition of which was assisted by the transfer or loan of that property was property described in any of subparagraphs *a* to *d* of the second paragraph of section 844.3 of the transferee for a period of time in a taxation year of the insurer, the following rules apply :

(*a*) section 844.3 shall apply to the insurer to include an amount in computing its income for the year on the assumption that the property was owned by the insurer for the period, was property described in any of subparagraphs *a* to *d* of the second paragraph of section 844.3 of the insurer and was used or held by it in the year in the course of carrying on an insurance business in Canada;”.

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

208. (1) Sections 846 to 850 of the said Act are repealed.

(2) Subsection 1 applies from the taxation year 1996.

209. (1) Section 885 of the said Act is replaced by the following :

“885. A beneficiary under a deferred profit sharing plan shall, in computing the income of the beneficiary for a taxation year, include the amount by which the aggregate of all amounts received by the beneficiary in the year from a trustee under the plan, other than as a result of acquiring an annuity described in subparagraph *iv* of paragraph *k* of subsection 2 of section 147 of the French text of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under which the beneficiary is the annuitant, exceeds the aggregate of all amounts each of which is an amount determined for the year under section 883, 884 or 886 in relation to the plan and in respect of the beneficiary.”

(2) Subsection 1 applies from the taxation year 1992. However, where section 885 of the said Act, enacted by subsection 1, applies to a taxation year that is before the taxation year 1997, it shall be read with “subparagraph iv of paragraph *k*” replaced by “subparagraph vi of paragraph *k*”.

210. (1) The said Act is amended by inserting, after section 888.2, the following section:

“888.3. Where an amount is paid before 1 January 1997 pursuant to or under a deferred profit sharing plan to acquire for a beneficiary under the plan an annuity described in subparagraph iv of paragraph *k* of subsection 2 of section 147 of the French text of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and, for the purposes of that Act, subsection 10.6 of that section 147 applies in respect of the beneficiary owing to the fact that payment of the annuity has not begun by the end of the particular year, the following rules apply:

(*a*) the beneficiary is deemed to have disposed of the annuity immediately after the particular year and to have received as proceeds of the disposition an amount equal to the fair market value of the annuity at the end of the particular year;

(*b*) the beneficiary is deemed to have acquired immediately after the particular year an interest in the annuity as a separate and newly issued annuity contract at a cost equal to the amount referred to in paragraph *a*; and

(*c*) the contract referred to in paragraph *b* is deemed not to have been issued and acquired pursuant to or under a deferred profit sharing plan.”

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

211. (1) Section 895 of the said Act is amended, in paragraph *j*, by replacing “\$1,500” by “\$2,000”.

(2) Subsection 1 applies from the taxation year 1996. However, paragraph *j* of section 895 of the said Act, as amended by subsection 1, does not apply in respect of plans entered into before 21 February 1990.

212. (1) Section 914 of the said Act is amended

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

“914. Where a registered retirement savings plan is revised, amended or, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), deemed to have been amended under subsection 13.2 of section 146 of that Act, or where another plan is substituted therefor and the resultant plan is deemed, under subsection 12 of that section 146, not to be a registered retirement savings plan for the purposes of that Act, the following rules apply:”;

(2) by replacing, in the French text of paragraph *a*, the words “aux fins” by the words “pour l’application”.

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

213. Section 965.0.4 of the said Act is repealed.

214. (1) The said Act is amended by inserting, after section 965.0.17, the following section:

“965.0.18. For the purposes of this Part, where, under circumstances referred to in paragraph *a* of section 2.3, an individual acquired before 1 January 1997 an interest in an annuity contract in full or partial satisfaction of the individual’s entitlement to benefits under a registered pension plan, and, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), subsection 15 of section 147.3 of that Act applies in respect of the individual owing to the fact that payment of the annuity has not begun by the end of a particular year, the following rules apply:

(*a*) the interest in the annuity contract is deemed not to exist after the particular year;

(*b*) the individual is deemed to have received immediately after the particular year the payment of a single amount under the registered pension plan equal to the fair market value of the interest in the annuity contract at the end of the particular year;

(*c*) the individual is deemed to have acquired immediately after the particular year an interest in the annuity contract as a separate annuity contract issued immediately after the particular year at a cost equal to the amount referred to in paragraph *b*; and

(*d*) the separate contract is deemed not to have been issued and acquired pursuant to or under a registered pension plan.”

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

215. Section 976 of the said Act is amended by replacing, in paragraph *d*, “paragraph *i* of subsection 1” by “paragraph *i*”.

216. Section 985.1.1 of the said Act is amended by replacing the second paragraph by the following:

“For the purposes of subparagraph *a* of the first paragraph, “person” and “members of a group” do not include the State, Her Majesty in right of Canada or a province, a municipality, a club, society or association that is exempt from tax under section 996, or another registered charity that is not a private foundation.”

217. (1) Section 998 of the said Act is amended by replacing paragraph *k* by the following:

“(k) an insurer that, throughout the period referred to in section 980, is not engaged in any business other than insurance if, in the opinion of the Minister, on the advice of the Superintendent of Financial Institutions for Canada or, where the insurer is incorporated under the laws of a province, of the superintendent of insurance of that province or the Inspector General of Financial Institutions, at least 20% of the total of the gross premium income earned in the period by the insurer and, where the insurer is not a prescribed insurer, by all other persons described in section 999.0.3 is in respect of insurance of property used in farming or fishing or residences of farmers or fishermen;”.

(2) Subsection 1 applies from the taxation year 1996.

218. (1) Section 999.0.1 of the said Act is replaced by the following:

“**999.0.1.** Subject to section 999.0.2, section 980 applies in respect of an insurer described in paragraph *k* of section 998 only to the part of its taxable income for a taxation year determined by the formula

$$(A \times B \times C) / D.$$

In the formula provided for in the first paragraph,

(a) A is the taxable income of the insurer for the year;

(b) B is

i. 1/2, where less than 25% of the total of the gross premium income earned for the year by the insurer and, where the insurer is not a prescribed insurer for the purposes of paragraph *k* of section 998, by all other persons described in section 999.0.3 is in respect of insurance referred to in that paragraph *k*, or

ii. 1 in any other case;

(c) C is the part of the gross premium income earned by the insurer for the year that, in the opinion of the Minister, on the advice of the Superintendent of Financial Institutions for Canada or, where the insurer is incorporated under the laws of a province, of the superintendent of insurance of that province or the Inspector General of Financial Institutions, is in respect of insurance referred to in paragraph *k* of section 998; and

(d) D is the gross premium income earned by the insurer for the year.”

(2) Subsection 1 applies from the taxation year 1996.

219. (1) Section 999.0.3 of the said Act is replaced by the following:

“999.0.3. The persons referred to in paragraph *k* of section 998 or in section 999.0.1 or 999.0.2 are insurance corporations that are specified shareholders of the insurer described in that paragraph *k* or that section 999.0.1 or 999.0.2, as the case may be, or are related to the insurer, or, where the insurer is a mutual corporation, that are part of a group that controls, directly or indirectly in any manner whatever, or are so controlled by, the insurer.”

(2) Subsection 1 applies from the taxation year 1996.

220. Section 1004 of the said Act is amended by striking out the second paragraph.

221. (1) Section 1026.0.2 of the said Act, amended by section 243 of chapter 85 of the statutes of 1997, is again amended by replacing paragraph *a* of the definition of “net tax owing” by the following:

“(a) the tax payable by the individual for the year under this Part, determined without reference to the specified tax consequences for the year; exceeds”.

(2) Subsection 1 applies in respect of payments to be made after 31 December 1995. However, where paragraph *a* of the definition of “net tax owing” in section 1026.0.2 of the said Act, enacted by subsection 1, applies in respect of payments to be made before 1 January 1998, it shall be read as follows:

“(a) the total of the taxes payable by the individual for the year under this Part and Part I.1, determined without reference to the specified tax consequences for the year; exceeds”.

222. (1) Section 1027 of the said Act is amended by replacing the second paragraph by the following:

“However, subparagraph *a* of the first paragraph does not apply to a corporation whose total taxes payable for the year under this Act, other than tax payable under Part IV.1, determined without reference to the specified tax consequences for the year, or whose first basic provisional accounts within the meaning of the regulations under subparagraph *i* of subparagraph *a* of the first paragraph, for the year, other than the first basic provisional account related to tax payable under Part IV.1, do not exceed \$1,000.”

(2) Subsection 1 applies in respect of payments to be made after 31 December 1995.

223. (1) Section 1028 of the said Act, amended by section 244 of chapter 85 of the statutes of 1997, is replaced by the following:

“1028. Where a corporation has held out the prospect that it will make allocations in proportion to patronage to its customers of a taxation year as

described in sections 786 to 796 and for the year or the preceding taxation year its taxable income, determined without reference to the specified tax consequences for the year or the preceding taxation year, as the case may be, is not more than \$10,000, the corporation may, at the end of the period referred to in subparagraph *b* of the first paragraph of section 1027 and instead of making the payments required by that section, pay to the Minister the total of its tax as estimated for the year under section 1004.”

(2) Subsection 1 applies in respect of payments to be made after 31 December 1995. However,

(1) where section 1028 of the said Act, enacted by subsection 1, applies in respect of payments to be made in any taxation year that ends before 1 July 1997, it shall be read as follows:

“1028. Where a corporation has held out the prospect that it will make allocations in proportion to patronage to its customers of a taxation year as described in sections 786 to 796, or is a savings and credit union, and for the year or the preceding taxation year its taxable income, determined without reference to the specified tax consequences for the year or the preceding taxation year, as the case may be, is not more than \$10,000, the corporation may, at the end of the period referred to in subparagraph *b* of the first paragraph of section 1027 and instead of making the payments required by that section, pay to the Minister the total of its tax as estimated for the year under section 1004.”;

(2) where section 1028 of the said Act, enacted by subsection 1, applies in respect of payments to be made in any taxation year that begins before 1 July 1997 and ends after 30 June 1997, it shall be read with the following paragraph added thereto:

“Where a corporation is, for a taxation year, a savings and credit union whose taxable income for the year or the preceding taxation year, determined without reference to the specified tax consequences for the year or the preceding taxation year, as the case may be, is not more than \$10,000, the corporation is not required to make the payments required in subparagraph *a* of the first paragraph of section 1027 for the period of the year that is before 1 July 1997.”

224. Section 1029.8.5.1 of the said Act is amended by replacing subparagraphs i to iii of paragraph g by the following:

“i. the State or Her Majesty in right of Canada or a province,

“ii. a mandatory of the State or of Her Majesty in right of Canada or a province,

“iii. a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province or by a mandatory of the State or of Her Majesty in right of Canada or a province, or”.

225. Section 1029.8.15.1 of the said Act is amended by replacing subparagraphs i to iii of paragraph g by the following:

“i. the State or Her Majesty in right of Canada or a province,

“ii. a mandatory of the State or of Her Majesty in right of Canada or a province,

“iii. a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province or by a mandatory of the State or of Her Majesty in right of Canada or a province, or”.

226. Section 1029.8.22 of the said Act, amended by section 111 of chapter 63 of the statutes of 1997, is again amended, in the English text of the first paragraph, by replacing the portion of the definition of “qualified corporation” before paragraph a by the following:

““qualified corporation”, for a taxation year, means a corporation that carries on business in Québec and has an establishment in Québec in the year and all or substantially all of whose gross revenue for the year is derived from the carrying on of a qualified business, but does not include”.

227. Section 1029.8.33.2 of the said Act, amended by section 117 of chapter 63 of the statutes of 1997 and by section 251 of chapter 85 of the statutes of 1997, is again amended, in the English text of the first paragraph,

(1) by replacing the definition of “eligible taxpayer” by the following:

““eligible taxpayer”, for a taxation year, means a taxpayer who carries on business in Québec and has an establishment in Québec in the year and who is an individual, other than a tax-exempt individual, or a qualified corporation;”;

(2) by replacing the definition of “qualified partnership” by the following:

““qualified partnership”, for a fiscal period, means a partnership that carries on business in Québec and has an establishment in Québec in the fiscal period and that, if it were a corporation, would be a qualified corporation for that fiscal period;”.

228. Section 1029.8.33.15 of the said Act, enacted by section 253 of chapter 85 of the statutes of 1997, is amended, in the English text, by replacing the words “rounded off to the nearest thousandth or, if it is equidistant between two thousandths, to the higher thousandth” by “rounded to the

nearest one-thousandth or, if it is equidistant from two one-thousandths, to the higher thereof”.

229. (1) Section 1029.8.36.0.10 of the said Act, enacted by section 257 of chapter 85 of the statutes of 1997, is amended by replacing paragraph *a* by the following :

“(a) the corporation is deemed to have paid qualified wages to an eligible employee in the taxation year equal to the lesser of

i. the aggregate of all amounts each of which is an amount paid by the corporation in the year as repayment of government assistance or non-government assistance, as the case may be, and

ii. the amount by which the amount that would be the particular qualified wages paid in the particular year if the amount of government assistance or non-government assistance, as the case may be, were reduced by any amount paid in respect thereof, as repayment, in the taxation year or in a previous taxation year by the corporation, exceeds the aggregate of

(1) the particular qualified wages for the particular taxation year, determined without reference to this section, and

(2) any amount determined under this section, in respect of the particular qualified wages, for a previous taxation year; and”.

(2) Subsection 1 applies in respect of wages incurred after 25 March 1997.

230. Section 1029.8.36.4 of the said Act is amended, in the English text of the first paragraph, by replacing the portion of the definition of “qualified corporation” before paragraph *a* by the following :

““qualified corporation”, for a taxation year, means a corporation that carries on business in Québec and has an establishment in Québec in the year and all or substantially all of whose gross revenue for the year is derived from the carrying on of a qualified business, but does not include”.

231. (1) Section 1029.8.36.23 of the said Act, amended by section 258 of chapter 85 of the statutes of 1997, is again amended

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

“1029.8.36.23. Where, in any taxation year, a qualified 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 1029.8.36.7 for a particular taxation year, the following rules apply :

(a) the corporation is deemed to have incurred in the taxation year qualified wages, in respect of a particular designer, equal to the lesser of

i. the aggregate of all amounts each of which is an amount paid by the corporation in the year as repayment of the government assistance or non-government assistance, as the case may be, and

ii. the amount by which the amount that would be the particular qualified wages incurred in the particular taxation year if the amount of government assistance or non-government assistance, as the case may be, were reduced by any amount paid in respect thereof, as repayment, in the taxation year or in a previous taxation year by the corporation, exceeds the aggregate of

(1) the particular qualified wages for the particular taxation year, determined without reference to this section, and

(2) any amount determined under this section, in respect of the particular qualified wages, for a previous taxation year; and”;

(2) by replacing, in subparagraph i of paragraph *b*, the words “particular year” by the words “taxation year”;

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

“iii. the percentage determined under section 1029.8.36.9 in respect of qualified wages that the corporation is deemed to have incurred in the taxation year in connection with that repayment is deemed to be the percentage determined in relation to the particular qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.7 for the particular taxation year.”

(2) Subsection 1 has effect from 1 January 1994.

232. (1) Section 1029.8.36.69 of the said Act, enacted by section 261 of chapter 85 of the statutes of 1997, is amended by replacing subparagraphs *a* to *d* of the first paragraph by the following:

“(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, immediately before that time, to that portion of such activities the pursuit of which was diminished or ceased at 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 at any time in the particular calendar year, determined with reference to subparagraph *a* in respect of the particular calendar year, shall be reduced by the number of eligible employees that may reasonably be considered to have been assigned, immediately before that time, to that portion of such activities the pursuit of which was diminished or ceased at 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, immediately before that time, to that portion of such activities the pursuit of which was diminished or ceased at that time, are deemed to be eligible employees of the eligible employer throughout the calendar year preceding the particular calendar year; and

“(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 and of the subsequent calendar year, the following rules apply:

i. the eligible employees of the person or of the partnership that may reasonably be considered to have been assigned, immediately before that time, to that portion of such activities the pursuit of which was diminished or ceased at that time, are deemed to be eligible employees of the eligible employer throughout the particular calendar year, and

ii. the employees of the eligible employer that may reasonably be considered to have been assigned, after that time, to the pursuit of similar activities because the eligible employer begins, after that time, to pursue similar activities, or increases, after that time, the scope of similar activities in the course of carrying on a business, 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, immediately before that time, to that portion of such activities the pursuit of which was diminished or ceased at that time, are deemed not to be eligible employees of the eligible employer at any time in the particular calendar year.”

(2) Subsection 1 has effect from 1 January 1997.

233. (1) Section 1029.8.67 of the said Act, amended by section 119 of chapter 31 of the statutes of 1997 and by section 265 of chapter 85 of the statutes of 1997, is again amended

(1) in the English text, by replacing paragraph *d* of the definition of “earned income” by the following:

“(d) all amounts received by the individual during the year as, on account or in lieu of payment of, or in satisfaction of, a disability pension under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of paragraph *u* of section 1 of that Act;”;

(2) by replacing, in the definition of “eligible child”, “14” by “16”;

(3) by adding, after subparagraph iv of paragraph *a* of the definition of “child care expense”, the following subparagraph:

“v. to attend a qualified educational institution, where the individual or supporting person is enrolled in an educational program of not less than 3 consecutive weeks duration that provides that each student in the program spend not less than 10 hours per week on courses or work in the program, and”;

(4) by inserting the following definition in the appropriate alphabetical order:

““qualified educational institution” means an educational institution referred to in paragraph *a* of section 752.0.18.10 or a secondary school;”.

(2) Paragraphs 2, 3 and 4 of subsection 1 apply from the taxation year 1996. However, where the definition of “qualified educational institution”, enacted by subsection 1, applies to the taxation year 1996, it shall be read as follows:

““qualified educational institution” means an educational institution referred to in section 337 or a secondary school;”.

234. (1) Section 1029.8.70 of the said Act is amended by replacing subparagraph i of subparagraph *b* of the second paragraph by the following:

“i. a student in attendance at a qualified educational institution and enrolled in a program of the institution of not less than 3 consecutive weeks duration that provides that each student in the program spend not less than 10 hours per week on courses or work in the program,”.

(2) Subsection 1 applies from the taxation 1996.

235. (1) Section 1029.8.71 of the said Act is amended

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

“(b) the aggregate of the earned income of the individual for the year and, if the following conditions are met, the amount determined in respect of the individual under the second paragraph:

i. the individual is, at any time in the year, a student in attendance at a qualified educational institution and enrolled in a program of the institution of

not less than 3 consecutive weeks duration that provides that each student in the program spend not less than 10 hours per week on courses or work in the program, and

ii. there is no supporting person of an eligible child of the individual for the year or, if there is such a person, the earned income of the individual for the year exceeds the earned income for the year of the supporting person of the child.”;

(2) by adding the following paragraph:

“The amount to which subparagraph *b* of the first paragraph refers in respect of an individual for a taxation year is equal to the least of

(a) the amount by which the aggregate of all amounts each of which is an amount paid as or on account of child care expenses incurred for services rendered in the year in respect of an eligible child of the individual exceeds the amount that would, but for this section, be taken into account in computing the amount that the individual is deemed to have paid to the Minister for the year under section 1029.8.79;

(b) the greater of

i. the individual’s income for the year computed with reference to the rules in Title II of Book V.2.1, and

ii. the income for the year, computed with reference to the rules in Title II of Book V.2.1, of the supporting person of an eligible child of the individual for the year;

(c) the product obtained when the total of the product obtained when \$150 is multiplied by the number of eligible children of the individual for the year each of whom is under 7 years of age on 31 December of that year or would have been had the child then been living, or a person described in section 1029.8.76, and in respect of whom child care expenses referred to in the first paragraph were incurred, and the product obtained when \$90 is multiplied by the number of all other eligible children of the individual for the year in respect of whom child care expenses referred to in the first paragraph were incurred, is multiplied by the number of weeks in the year during which the child care expenses were incurred and throughout which,

i. where there is a supporting person of an eligible child of the individual for the year, both the supporting person and the individual are students described in subparagraph i of subparagraph *b* of the first paragraph, and

ii. in any other case, the individual is a student described in subparagraph i of subparagraph *b* of the first paragraph;

(d) the amount by which the total calculated under subparagraph i of subparagraph *a* of the first paragraph in respect of eligible children of the

taxpayer for the year exceeds the amount that would, but for this section, be taken into account in computing the amount that the individual is deemed to have paid to the Minister for the year under section 1029.8.79; and

(e) where there is a supporting person of an eligible child of the taxpayer for the year, the amount by which the amount calculated under subparagraph *b* of the second paragraph of section 1029.8.70 for the year in respect of the individual exceeds the individual's earned income for the year."

(2) Subsection 1 applies from the taxation year 1996. However, where subparagraph *b* of the second paragraph of section 1029.8.71 of the said Act, enacted by subsection 1, applies to the taxation years 1996 and 1997, it shall be read as follows:

"(b) the greater of

i. the individual's income for the year computed without reference to paragraphs *d.1* and *j* of subsection 1 of section 336, and

ii. the income for the year, computed without reference to paragraphs *d.1* and *j* of subsection 1 of section 336, of the supporting person of an eligible child of the individual for the year;"

236. (1) Section 1029.8.76 of the said Act, replaced by section 266 of chapter 85 of the statutes of 1997, is again replaced by the following:

"1029.8.76. The person to whom section 1029.8.68, subparagraphs *a* and *b* of the second paragraph of section 1029.8.70, subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.71 and subparagraph *c* of the second paragraph of section 1029.8.71 refer 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 1996. However, where section 1029.8.76 of the said Act, enacted by subsection 1, applies to the taxation years 1996 and 1997, it shall be read as follows:

"1029.8.76. The person to whom section 1029.8.68, subparagraphs *a* and *b* of the second paragraph of section 1029.8.70, subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.71 and subparagraph *c* of the second paragraph of section 1029.8.71 refer for a taxation year is an eligible child who is a person in respect of whom an amount is deductible because of sections 752.0.14 to 752.0.16 in computing an individual's tax payable under this Part for that year."

237. Section 1037.1 of the said Act is repealed.

238. (1) Section 1038 of the said Act is amended

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

“(a) the amount by which the tax payable by the individual for the year, determined without reference to the specified tax consequences for the year, exceeds the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the year and all amounts the individual is deemed, under Chapter III.1 of Title III, except Divisions II to II.4.1, II.5.1, II.5.2 and II.6.6 of that chapter, to have paid to the Minister as partial payment of the individual’s tax payable for the year;”;

(2) by replacing subparagraph *a* of the third paragraph by the following:

“(a) the amount by which the tax payable by the individual for the particular year, determined without reference to the specified tax consequences for the particular year, or the individual’s basic provisional account, established in accordance with the regulations under section 1026, for the preceding taxation year, exceeds the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the particular year and all amounts the individual is deemed, under Chapter III.1 of Title III, except Divisions II to II.4.1, II.5.1, II.5.2 and II.6.6 of that chapter, to have paid to the Minister as partial payment of the individual’s tax payable for the particular year;”;

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

“(a) the tax payable by the corporation for the year, determined without reference to the specified tax consequences for the year, or the corporation’s first basic provisional account, within the meaning of the regulations under subparagraph *i* of the said subparagraph, for the year; or”.

(2) Subsection 1 applies from the taxation year 1996. However, where subparagraph *a* of the second and third paragraphs of section 1038 of the said Act, enacted by paragraphs 1 and 2 of subsection 1, applies in respect of payments to be made before 26 March 1997, it shall be read with “Divisions II to II.4.1, II.5.1, II.5.2 and II.6.6” replaced by “Divisions II to II.4 and II.5.1”.

239. (1) The said Act is amended by inserting, after section 1044.0.1, the following section:

“1044.0.2. Where the tax payable under this Part by a taxpayer for a taxation year is more than it otherwise would be because of a consequence for the year, described in paragraph *b* of the definition of “specified tax consequence” in section 1, in respect of an amount purported to be renounced in a calendar year by a corporation, for the purposes of the provisions of this Part, other than this section, relating to a determination of interest payable under this Part, an amount equal to the additional tax payable is deemed

(a) to have been paid on the taxpayer’s balance-due day for the taxation year as partial payment of the taxpayer’s tax payable under this Part for the year; and

(b) to be an excess amount referred to in section 32 of the Act respecting the Ministère du Revenu (chapter M-31) that has been refunded on 30 April of the following calendar year to the taxpayer as partial payment of the taxpayer's tax payable under this Part for the taxation year."

(2) Subsection 1 applies from the taxation year 1996.

240. (1) Section 1049.0.1 of the said Act is replaced by the following:

"1049.0.1. Every person who, knowingly or under circumstances amounting to gross negligence, makes, or acquiesces or participates in the making of, a false statement or omission in any renunciation that was to have been effective at a particular time and that is purported to have been made under section 359.2, 359.2.1, 359.4, 381, 406, 417 or 418.13, otherwise than because of the application of section 359.8, is liable to a penalty of 25% of the amount by which the amount set out in the renunciation in respect of Canadian exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses exceeds the amount in respect of Canadian exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, as the case may be, that the corporation was entitled under the applicable section to renounce as of that particular time.

In the first paragraph, a reference to section 381, 406, 417 or 418.13 is a reference to that section as it read in respect of the renunciation."

(2) Subsection 1, where it enacts the first paragraph of section 1049.0.1 of the said Act, applies in respect of acts or omissions that occur after 25 April 1997. However, the first paragraph of that section 1049.0.1, where it applies in respect of acts or omissions in connection with purported renunciations made before 1 January 1999, shall be read with "359.4," replaced by "359.4, 359.6,".

241. (1) The said Act is amended by inserting, after section 1049.0.1, the following section:

"1049.0.1.0.1. Every person who, knowingly or under circumstances amounting to gross negligence, makes, or acquiesces or participates in the making of, a false statement or omission in a statement required to be filed under section 359.15 in respect of a renunciation purported to have been made because of the application of section 359.8 or who fails to file the statement on or before the day that is 24 months after the day on or before which it was required to be filed is liable, in addition to the penalty under section 59 of the Act respecting the Ministère du Revenu (chapter M-31), to a penalty equal to 25% of the amount by which the portion of the excess referred to in section 359.15 that was known or that ought to have been known by the person, exceeds

(a) where this section applies otherwise than because of the person's failure to file the statement on or before the day that is 24 months after the day on or before which it was required to be filed, the portion of the excess referred to in section 359.15 that is identified in the statement; and

(b) in any other case, zero.”

(2) Subsection 1 has effect from 25 April 1997.

242. Section 1086 of the said Act is amended by replacing subparagraph *c* of the first paragraph by the following:

“(c) provide for the retention by way of deduction or set-off of the amount of a taxpayer's income tax or other indebtedness under a fiscal law out of any amount that may be payable by the State in respect of salary or wages;”.

243. (1) Section 1094 of the said Act is amended by replacing paragraph *b.1* by the following:

“(b.1) any capital property used or held in Québec by an insurer in the year that is its designated insurance property, within the meaning of section 818, for the year;”.

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

244. Section 1129.8 of the said Act is amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

“1129.8. The rate to which subparagraph *d* of the second paragraph of section 1129.7 refers in respect of a non-guaranteed convertible security issue to which a qualifying non-guaranteed convertible security relates is equal to the long-term average weighted bond yield for the provinces as indicated in the Weekly Financial Statistics of the Bank of Canada for the third week preceding that during which”.

245. Section 1129.12.4 of the said Act, enacted by section 303 of chapter 85 of the statutes of 1997, is amended by replacing the first paragraph by the following:

“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 average weighted bond yield for the provinces as indicated in the Weekly 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.”

246. (1) The said Act is amended by inserting, after section 1129.58, the following:

“PART III.14

“SPECIAL TAX RELATING TO FLOW-THROUGH SHARES

“1129.59. In this Part,

“flow-through share” has the meaning assigned by section 359.1 ;

“Minister” means the Minister of Revenue.

“1129.60. Every corporation that purported to renounce an amount in a calendar year under section 359.2 or 359.2.1 because of the application of section 359.8 shall pay a tax in respect of each month, other than January, in the year equal to the amount determined in its respect by the formula

$$[(A - B)/2] \times (C/12 + D/5).$$

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that the corporation purported to renounce in the calendar year under section 359.2 or 359.2.1 because of the application of section 359.8 in respect of expenses incurred or to be incurred in connection with production or potential production in Québec ;

(b) B is the aggregate of all expenses described in paragraph a of section 359.8 that are incurred by the end of the month by the corporation and in respect of the renunciation in respect of which an amount is included in the aggregate referred to in subparagraph a of this paragraph ;

(c) C is the rate of interest prescribed for the purposes of subsection 3 of section 164 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for the month ; and

(d) D is one where the month is December, and zero in any other case.

“1129.61. Where a corporation is required to pay tax under this Part in respect of one month in a calendar year, it shall, before 1 March of the following calendar year,

(a) file with the Minister, without notice or demand therefor, a return for the year under this Part in prescribed form ;

(b) estimate, in the return, the amount of tax payable under this Part by it in respect of each month in the year ; and

(c) pay to the Minister the amount of tax payable under this Part by it in respect of each month in the year.

“1129.62. Except where inconsistent with 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 the calendar year 1997. However, where section 1129.62 of the said Act, enacted by subsection 1, applies to the calendar year 1997, it shall be read as follows:

“1129.62. Except where inconsistent with this Part, sections 1001, 1002 and 1037 and Titles II, V, VI and VII of Book IX of Part I and Book X of Part I apply to this Part, with the necessary modifications.”

247. Section 1159.1 of the said Act is amended, in paragraph *b* of the definition of “financial institution”, by replacing the words “body or corporation of Her Majesty in right of Québec” by the words “State body or corporation”.

248. Section 1173.2 of the said Act is amended, in the English text, by replacing paragraph *a* by the following:

“(a) to the portion of a taxable premium, other than a taxable premium that is a fund of an uninsured employee benefit plan, that corresponds to the payment, by an insurance corporation, of an amount, paid by reason of the loss of all or part of the income from an office or employment and that is income from an office or employment for which a contribution established under the Act respecting industrial accidents and occupational diseases (chapter A-3.001), the Act respecting the Régie de l’assurance-maladie du Québec (chapter R-5) or the Act respecting the Québec Pension Plan (chapter R-9) is paid; or”.

249. (1) Section 1175.1 of the said Act is amended

(1) by inserting the following definition in the appropriate alphabetical order:

““life insurance business” has the meaning assigned by section 1;”;

(2) by inserting the following definition in the appropriate alphabetical order:

““province” has the meaning assigned by section 1;”;

(3) by replacing the definition of “Superintendent of Financial Institutions” by the following:

““Superintendent of Financial Institutions”, in respect of a life insurer, means

(a) the Superintendent of Financial Institutions for Canada, where the life insurer is required to report to that person; and

(b) where the life insurer is incorporated under the laws of a province, the superintendent of insurance or other similar agent or authority of that province, or the Inspector General of Financial Institutions, according to the person to whom the life insurer is required to report;”.

(2) Paragraph 1 of subsection 1 applies in respect of taxation years of a life insurer that end after 9 May 1996.

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

250. (1) Section 1175.9 of the said Act is amended by replacing paragraph *a* by the following:

“(a) the greater of its surplus funds derived from operations, within the meaning of paragraph *l* of section 835, computed as if no tax were payable by it under this Part nor under Part I.3 or VI of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for the year, and its attributed surplus, within the meaning assigned by the regulations made under section 818, for the year;”.

(2) Subsection 1 applies in respect of taxation years of a life insurer that end after 9 May 1996. However, where paragraph *a* of section 1175.9 of the said Act, enacted by subsection 1, applies to any such taxation year that ends before 1 January 1997, it shall be read with the words “its attributed surplus, within the meaning assigned by the regulations made under section 818, for the year” replaced by the words “its attributed surplus for the year, within the meaning assigned by the regulations made under section 818”.

251. (1) The said Act, amended by chapters 63, 85 and 86 of the statutes of 1997, is again amended

(1) by replacing the word “estate” by the word “succession” wherever it appears in the English text of the following provisions:

- paragraph *b* of section 2.1.3;
- section 7.4.1;
- section 317.2;
- section 430;
- section 431;
- section 448;
- subparagraph iii of subparagraph *r* of the first paragraph of section 485.3;
- paragraph *b* of section 609;
- section 930;
- section 1002;
- paragraphs *a* and *b* of section 1054;
- section 1055;
- the portion of section 1055.1 before paragraph *a*;
- paragraph *b* of section 1055.1;

(2) by replacing the words “member of the Senate or of the House of Commons” by the words “member of the Senate or House of Commons” in the English text of the following provisions:

- subparagraph *i* of paragraph *a* of section 39;
- paragraph *a* of section 39.1;

(3) by replacing the words “Her Majesty in right of Canada or of a province” or “Her Majesty in right of Canada or a province”, as the case may be, by the words “the State or to Her Majesty in right of Canada or a province” in the following provisions:

- paragraph *b* of section 230.1;
- paragraph *a* of section 710;
- the definition of “total Crown gifts” in section 752.0.10.1;

(4) by replacing the words “Her Majesty in right of Canada or of a province” or “Her Majesty in right of Canada or a province”, as the case may be, by the words “the State or Her Majesty in right of Canada or a province” wherever they appear in the following provisions:

- paragraph *a* of section 230.3;
- paragraph *i* of section 710;
- paragraph *h* of the definition of “total charitable gifts” in section 752.0.10.1;
- the first paragraph of section 985;
- paragraph *f* of section 1104;
- the first paragraph of section 1175.18;

(5) by striking out “of subsection 1” wherever that reference appears in the following provisions:

- paragraph *h* of section 311;
- section 313.1;
- section 324;
- subparagraph *c* of the second paragraph of section 346.1;
- section 694.0.2;
- subparagraph *v* of subparagraph *e* of the first paragraph of section 726.6;
- subparagraph *vi* of paragraph *a* of section 752.0.8;
- section 776.70;
- paragraph *c* of section 976.1;
- the first paragraph of section 1007;
- section 1029.6;
- the portion of the first paragraph of section 1029.8.50 before subparagraph *a*;

(6) by replacing the word “sous-paragraphe” by the word “paragraphe” wherever it appears in the French text of the following provisions:

- paragraph *h* of section 311;
- section 313.1;
- section 324;
- subparagraph *c* of the second paragraph of section 346.1;
- subparagraph *v* of subparagraph *e* of the first paragraph of section 726.6;
- subparagraph *vi* of paragraph *a* of section 752.0.8;
- section 776.70;
- paragraph *c* of section 976.1;
- the first paragraph of section 1007;
- section 1029.6;
- the portion of the first paragraph of section 1029.8.50 before subparagraph *a*;

(7) by replacing “section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24), to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972) (R.R.Q., 1981, chapter I-4, r.2)” or “section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24) to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (R.R.Q., 1981, chapter I-4, r.2)”, as the case may be, by “section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section” in the following provisions:

- paragraph *d* of section 332.3;
- the portion of section 418.33 before paragraph *a*;
- section 418.35;
- section 419.7;
- the portion of section 776.57 before paragraph *a*;

(8) by replacing “section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24)” by “section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4)” in the following provisions:

- subparagraph *iii* of paragraph *a* of section 344;
- the portion of subparagraph *a* of the third paragraph of section 418.16 before subparagraph *i*;
- subparagraph *l* of subparagraph *ii* of subparagraph *a* of the third paragraph of section 418.17;
- the portion of subparagraph *a* of the third paragraph of section 418.18 before subparagraph *i*;
- the portion of subparagraph *i* of subparagraph *a* of the third paragraph of section 418.19 before subparagraph *l*;
- the portion of subparagraph *c* of the first paragraph of section 418.20 before subparagraph *i*;

- the portion of subparagraph i of subparagraph *a* of the third paragraph of section 418.21 before subparagraph 1;
- the portion of section 418.28 before paragraph *a*;

(9) by replacing “418.14” by “418.12” in the following provisions:

- subparagraph iii of paragraph *a* of section 344;
- the portion of section 776.57 before paragraph *a*;

(10) by replacing “section 86 of the Act respecting the application of the Taxation Act, to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972) (R.R.Q., 1981, chapter I-4, r.2)”, “section 86 of the Act respecting the application of the Taxation Act to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972) (R.R.Q., 1981, chapter I-4, r.2)”, “section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24), to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972)”, “section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24) to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972)”, “section 86 of the Act respecting the application of the Taxation Act, to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972)” or “section 86 of the Act respecting the application of the Taxation Act to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972)”, as the case may be, by “section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section” in the following provisions:

- subparagraph i of subparagraph *a* of the third paragraph of section 418.16;
- subparagraph i of subparagraph *b* of the third paragraph of section 418.16;
- the fourth paragraph of section 418.17;
- subparagraph i of subparagraph *a* of the third paragraph of section 418.18;
- subparagraph i of subparagraph *b* of the third paragraph of section 418.18;
- subparagraph i of subparagraph *b* of the third paragraph of section 418.19;
- subparagraph iii of subparagraph *c* of the first paragraph of section 418.20;
- subparagraph *b* of the second paragraph of section 418.20;
- subparagraph i of subparagraph *b* of the third paragraph of section 418.21;

(11) by replacing “418.13” by “418.13, as it read in respect of the renunciation,” in the following provisions:

- subparagraph 2 of subparagraph ii of paragraph *f* of the second paragraph of section 484.2;
- paragraph *e* of the definition of “forgiven amount” in section 485;

(12) by replacing the word “sous-paragraphes” by the word “paragraphes” in the French text of the following provisions:

- section 694.0.2;
- section 776.70;

(13) by replacing “118” and “(1972, chapter 24)” by “89.2” and “(chapter I-4)”, respectively, in the following provisions:

- section 776.62;
- section 776.88;

(14) by replacing the words “an estate” by the words “a succession” in the English text of the following provisions:

- paragraph *d* of subsection 2 of section 1000;
- subparagraph iv of paragraph *b* of section 1122;
- subparagraph *b* of the second paragraph of section 1159.8.

(2) Paragraph 9 of subsection 1 has effect from 6 March 1996.

ACT RESPECTING THE APPLICATION OF THE TAXATION ACT

252. The Act respecting the application of the Taxation Act (R.S.Q., chapter I-4) is amended by inserting, after section 5, the following section:

“**5.0.1.** Section 1011 of the Taxation Act (chapter I-3) does not apply where the taxpayer referred to therein has filed with the Minister a waiver referred to in section 1010 of that Act before 8 July 1972.”

253. The said Act is amended by inserting, after section 5.2, the following:

“CHAPTER II.1

“INCOME INSURANCE BENEFITS

“**5.3.** Section 43 of the Taxation Act (chapter I-3) does not apply to amounts received by a taxpayer that were payable to the taxpayer in accordance with a plan referred to in that section and established before 19 June 1971, if the loss of income mentioned therein results from an event occurring before 1 January 1974.

For the purposes of the first paragraph, a plan that was established before 19 June 1971 does not cease to be a plan established before that date solely because of changes made therein on or after that date for the purpose of ensuring that the plan qualifies as one entitling the employer of persons covered under the plan to a reduction of unemployment insurance premiums, as provided for in subsection 2 of section 50 of the Unemployment Insurance Act (Revised Statutes of Canada, 1985, chapter U-1), as it read before its repeal.”

254. The said Act is amended by inserting, after section 14, the following section:

“14.1. For the purposes of the Taxation Act (chapter I-3) and this Act, the total depreciation, undepreciated capital cost and capital cost of property of a prescribed class, on the first day of the taxation year 1972 of a corporation that is organized, administered and operated on a cooperative basis under paragraph 3 of section 40 of the former Corporation Tax Act, are deemed to be equal to what they would have been to date in respect of the property, had the corporation always been subject to the former Corporation Tax Act.”

255. (1) Section 81 of the said Act is replaced by the following:

“81. For the purpose of computing, at any particular time after 1971, the adjusted cost base to a taxpayer of an interest in a partnership of which the taxpayer was a member on 31 December 1971 and thereafter without interruption until that particular time, subparagraph i of paragraph i of section 255 of the Taxation Act (chapter I-3) shall be read with “mines,” replaced by “mines, and the provisions of the Act respecting the application of the Taxation Act (chapter I-4) in respect of sections 105 to 110.1,”.”

In addition, for that purpose, subparagraph i of paragraph l of section 257 of the Taxation Act shall be read with the figure “741” replaced by “741, and the provisions of the Act respecting the application of the Taxation Act (chapter I-4) that regard sections 105 to 110.1,”.”

(2) Subsection 1 has effect from 26 February 1986.

256. The said Act is amended by inserting, after section 88.2, the following:

“CHAPTER VII.1

“EXPLORATION AND DEVELOPMENT EXPENSES

“88.3. This chapter applies to persons who carry on one of the following activities:

(a) production, refining or marketing of petroleum, petroleum products or natural gas, or exploring or drilling for petroleum or natural gas;

(b) mining or exploring operations;

(c) processing mineral ores for the purpose of recovering metals therefrom;

(d) a combination of processing mineral ores for the purpose of recovering metals therefrom, and processing metals recovered from the ores so processed;

(e) refining metals; or

(f) operating a pipeline for the transmission of oil or natural gas.

“88.4. Any person who carries on or has carried on any of the activities referred to in section 88.3 may, in computing the person’s income for a taxation year, deduct in respect of the exploration or development expenses referred to in section 88.5 incurred in Canada before 1 January 1972 by the person and in respect of which the person is entitled to a deduction for that taxation year under section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement) and subsection 4 of section 34 of those Rules, an amount equal to the amount that is deductible, in respect of those expenses, in computing the person’s income for the taxation year under that section 29 and that subsection 4.

Expenses referred to in the first paragraph that are deemed, under subsections 14 and 21 of section 29 of the Income Tax Application Rules, to be expenses incurred by a person at a particular time after 31 December 1971 for the purposes of sections 66, 66.1 and 66.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), are deemed to be such expenses incurred by that person at that time for the purposes of sections 362 to 418.1 of the Taxation Act (chapter I-3).

“88.5. Expenses referred to in section 88.4 are

(a) drilling and exploration expenses, including all general geological and geophysical expenses, incurred on or in respect of exploring or drilling for petroleum or natural gas in Canada;

(b) prospecting, exploration and development expenses incurred in searching for minerals in Canada.

“88.6. Any amount received by a corporation whose principal business consists of any of the activities referred to in section 88.3 as consideration for the disposition, after 10 April 1962 and before 23 October 1968, of a right, licence or privilege to explore for, drill for or take in Canada petroleum, natural gas or other related hydrocarbons, except coal, shall be included in computing the income of the corporation for the fiscal period in which the amount was received, unless the corporation acquired the right, licence or privilege by legacy or inheritance, or before 11 April 1962 where, in the last case, the corporation disposed of the right, licence or privilege before 9 November 1962.

The first paragraph also applies to an amount received by a corporation other than the corporation referred to in that paragraph if, at the time of acquisition of the right, licence or privilege, the corporation was a corporation referred to in that paragraph, or by an association, partnership or syndicate formed to explore or drill for petroleum or natural gas.

“88.7. Where a right, licence or privilege referred to in the first paragraph of section 88.6 and acquired by an individual or a corporation after 10 April 1962 and before 1 January 1972 was disposed of before 23 October 1968, any amount received by the individual or the corporation as consideration for the

disposition shall be included in computing the income of the individual or corporation for the taxation year in which the amount was received, unless the individual or the corporation acquired such right, licence or privilege by legacy or inheritance.

The first paragraph does not apply to a corporation that, at the time of the acquisition referred to therein, is a corporation whose principal business consists of any of the activities referred to in section 88.3, or in computing the income for a taxation year of a taxpayer whose business includes trading or dealing in rights, licences or privileges to explore for, drill for or take in Canada petroleum, natural gas or other related hydrocarbons, except coal.

“88.8. Sections 88.6 and 88.7 do not apply to any disposition by a corporation, partnership, association, syndicate or individual, in this section referred to as “the vendor”, of any right, licence or privilege unless the right, licence or privilege was acquired by the vendor under an agreement, contract or arrangement under which there was not acquired any other right to, over or in respect of the land in respect of which such right, licence or privilege was so acquired, except the right to explore for, drill for or take materials and substances, whether liquid or solid and whether hydrocarbons or not, produced in association with the petroleum, natural gas or other related hydrocarbons, except coal, or found in any water contained in an oil or gas reservoir, or to enter on, use and occupy as much of the land as is necessary for the purpose of exploiting the right, licence or privilege.

“88.9. For the purposes of sections 88.6 and 88.7, the following rules apply

(a) where an association, partnership or syndicate described in the second paragraph of section 88.6, a corporation or an individual disposes of any interest in land that includes a right, licence or privilege described in the first paragraph of section 88.6 that was acquired under an agreement, contract or arrangement described in section 88.8, the proceeds of disposition of the interest are deemed to be proceeds of disposition of the right, licence or privilege; and

(b) where an association, partnership or syndicate described in the second paragraph of section 88.6, a corporation or an individual acquires a right, licence or privilege described in the first paragraph of section 88.6 under an agreement, contract or arrangement described in section 88.8 and subsequently disposes of any interest in the right, licence or privilege or in the production of a well situated on the land to which the right, licence or privilege relates, the proceeds of disposition of the interest are deemed to be the proceeds of disposition of the right, licence or privilege.

“88.10. For the purposes of this chapter, expenses incurred by a corporation, association, partnership or syndicate pursuant to an agreement under which those expenses are incurred in consideration for shares of the capital stock of a corporation that owned or controlled the mining rights, an

option to purchase shares of the capital stock of a corporation that owned or controlled the mining rights, or a right to purchase shares in the capital stock of a corporation that was to be formed for the purpose of acquiring or controlling the mining rights are deemed not to be and never to have been expenses incurred on or in respect of exploring or drilling for petroleum or natural gas in Canada or in searching for minerals in Canada.”

257. The said Act is amended by inserting, before section 89, the following section:

“88.11. In its application to an outlay or expenditure made or incurred before 1 January 1972, section 420 of the Taxation Act (chapter I-3) shall be read with the words “An amount the deduction of which is authorized by this Part in respect of” replaced by the words “For the purposes of this Part,”.”

258. The said Act is amended by inserting, after section 89, the following:

“89.1. An individual who receives, after 31 December 1971, a refund of premiums, within the meaning of the first paragraph of section 908 of the Taxation Act (chapter I-3), under a registered retirement savings plan the annuitant of which died before 1 January 1972, shall not include the refund, under section 929 of that Act, in computing the individual’s income for the taxation year in which the individual received it where the individual so elects in prescribed form and within the prescribed time and pays to the Minister to that effect tax under Part I of that Act equal to 9% of that amount.

“CHAPTER VIII.1

“ELECTION OF THE TAXPAYER

“89.2. A taxpayer who, in a taxation year ending after 31 December 1973, receives a payment described in subparagraph i or iv of paragraph *a* of section 345 of the Taxation Act (chapter I-3) in respect of which the taxpayer would be entitled to invoke section 44 of the former Tax Act respecting individuals if that Act and the provisions to which that section refers were still in force, may elect to compute the taxpayer’s tax payable for the taxation year concerned by applying, with the necessary modifications, the method provided for in that section 44, but only up to the amount of the part of the payment that corresponds to the amount the taxpayer would have received under the retirement plan or deferred profit sharing plan if the taxpayer had withdrawn from the plan on 1 January 1972 and if there had been no change in the terms and conditions of the plan after 18 June 1971 and before 2 January 1972.

Where any tax is payable under the first paragraph in addition to or in lieu of any amount of tax payable under Part I of the Taxation Act for a taxation year, the tax payable under that paragraph is deemed to be payable under Part I of the Taxation Act for the taxation year.”

259. The said Act is amended by inserting, after section 93, the following section :

“93.1. A specified personal corporation’s capital dividend account at any time after its taxation year 1972, means an amount equal to the amount computed as such in respect of the corporation at that time under subsection 9 of section 57 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement).

For the purposes of the first paragraph, a corporation is a specified personal corporation if its taxation year 1972 was in part before and in part after 1 January 1972 and if during the whole of the period beginning on the earlier of 18 June 1971 and the beginning of its taxation year 1972 and ending at the end of its taxation year 1972, it retained the status of a personal corporation within the meaning assigned to “personal corporation” by section 97 of the former Tax Act respecting individuals.”

260. Section 104 of the said Act is replaced by the following :

“104. The Government may, by regulation, generally prescribe any measure that is necessary or expedient for the purposes of this Act.

The regulations made under this section and those made under other provisions of this Act may, if they so provide, apply to a period prior to their publication, but not prior to the taxation year 1972.”

LICENSES ACT

261. Section 3.1 of the Licenses Act (R.S.Q., chapter L-3) is amended by replacing the words “Government departments and agencies and mandataries of the Crown” by the words “on Government departments and bodies and on mandataries of the State.”

ACT RESPECTING THE MINISTÈRE DU REVENU

262. Section 4.1 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is replaced by the following :

“4.1. If the Deputy Minister is absent or unable to act, the Minister may designate an Associate Deputy Minister of the Ministère du Revenu to act in the stead of the Deputy Minister.”

263. Section 5 of the said Act is amended

(1) in the first paragraph, by inserting, after the word “Ministère” the words “du Revenu”;

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

“However, notwithstanding any inconsistent provision of any Act, regulation, by-law or any collective agreement within the meaning of the Labour Code (chapter C-27) or an arbitration award in lieu thereof, the Deputy Minister may object to the filling of a position in the Ministère du Revenu by a person who, within the preceding five years, has been convicted of an offence under a fiscal law of Canada, the Criminal Code (Revised Statutes of Canada, 1985, chapter C-46), the Narcotic Control Act (Revised Statutes of Canada, 1985, chapter N-1) or the Food and Drugs Act (Revised Statutes of Canada, 1985, chapter F-27), to the extent that the offence is incompatible with the position to be filled, unless the person has been pardoned.”;

(3) in the English text, by replacing the fourth paragraph by the following :

“Except where the position to be filled is of a casual nature, the person concerned who is dissatisfied with the decision of the Deputy Minister may appeal therefrom to the Commission de la fonction publique by an application in writing, which must be received by the Commission within 30 days of the sending of the decision. The Commission shall hear the appeal and decide it unless a collective agreement or an arbitration award in lieu thereof has given jurisdiction over such matter to another person in accordance with section 70 of the Public Service Act.”

264. Section 9.0.4 of the said Act is amended, in the French text, by replacing the word “société” by the words “société de personnes”.

265. Section 12 of the said Act is amended by replacing the word “Government” by the word “State”.

266. Section 15.2 of the said Act is replaced by the following :

“15.2. The Minister may, by notice served or sent by registered mail, require that a person other than a banking or financial institution who, within the year following the service or sending of the notice, is to lend or advance an amount to a person owing an amount exigible under a fiscal law or is to pay an amount for or in the name of this person, pay to the Minister, on behalf of such person, all or part of this amount.

The first paragraph applies only if the person owing an amount exigible under a fiscal law is or will be, within the time limit mentioned in the first paragraph, remunerated by a person other than a banking or financial institution or, where the latter person is a corporation, only if the person is not dealing at arm’s length within the meaning of the Taxation Act (chapter I-3) with that person.”

267. Section 17.5 of the said Act is amended

(1) in the second paragraph, by inserting, after “subparagraphs *b*, *b.1* and *d* to *h*”, the words “of the first paragraph”;

(2) in the third paragraph, by inserting, after “subparagraphs *b*, *b.1* and *c*”, the words “of the first paragraph”.

268. Section 17.5.1 of the said Act is replaced by the following:

“17.5.1. The Minister may also suspend or revoke the registration certificate of or refuse to issue a registration certificate to any person who, at the time the person files an application for registration, is not dealing at arm’s length, within the meaning of the Taxation Act (chapter I-3), with another person who carries on a similar commercial activity where the other person’s registration certificate has been revoked or where the other person is under an injunction ordering the cessation of the activity, unless proof is given to the Minister that the person’s commercial activity does not constitute a continuation of the other person’s commercial activity.”

269. Section 17.9 of the said Act is amended

(1) in the second paragraph, by inserting, after “subparagraphs *b* and *c*”, the words “of the first paragraph”;

(2) in the third paragraph, by replacing the words “registered or certified mail” by the words “registered mail”.

270. Section 25.1 of the said Act is amended, in the English text,

(1) by adding, at the end of the portion before paragraph *a*, the word “if”;

(2) by striking out, in the first line of paragraph *a*, the word “if”.

271. Section 30.3 of the said Act is amended

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

“(a) any refund applied for by the person following the filing of a return or an application, for a reporting period or for a taxation year ending on or before the date of bankruptcy or the date of filing of the proposal or notice of intention to file such a proposal, as the case may be, is equal to zero; and”;

(2) by replacing, in the French text, subparagraph *b* of the first paragraph by the following:

“*b*) aucun remboursement ni aucun montant auquel la personne aurait eu droit si elle l’avait demandé pour une période ou une année d’imposition se terminant au plus tard à la date de la faillite ou à la date du dépôt de la proposition concordataire ou de l’avis d’intention de déposer une telle proposition, selon le cas, ne peut être demandé dans une déclaration produite pour une période ou une année d’imposition se terminant après cette date.”;

(3) by replacing, in the French text, the second paragraph by the following:

“Le premier alinéa ne s’applique pas si, le jour où le remboursement ou le montant est demandé, les déclarations et les rapports qui doivent être produits en vertu d’une loi fiscale pour les périodes ou pour les années d’imposition de la personne se terminant au plus tard à la date de la faillite ou à la date du dépôt de la proposition concordataire ou de l’avis d’intention de déposer une telle proposition, selon le cas, ou relativement à des acquisitions d’immeubles effectuées au cours de ces périodes, ont été produits et si un montant égal aux montants dus avant cette date par la personne pour ces périodes ou pour ces années d’imposition a été payé.”

272. Section 31 of the said Act, amended by section 347 of chapter 85 of the statutes of 1997, is again amended by replacing, in the second paragraph, the words “to the Government” by the words “to the State”.

273. Section 41 of the said Act is amended

(1) in the first paragraph, by inserting, after the word “Ministère”, the words “du Revenu”;

(2) in the third paragraph, by replacing the words “preceding paragraph” by the words “second paragraph”.

274. Section 42 of the said Act is amended, in the French text, by inserting, before the words “photostat de ce livre”, the word “tout”.

275. Section 62 of the said Act is amended, in the English text of subparagraph *f* of the first paragraph, by striking out “wilfully,”.

276. Section 69 of the said Act is amended by replacing the fourth paragraph by the following:

“The third paragraph does not apply to proceedings between the interested party and the Deputy Minister, to an application for an injunction under section 68.1, to an appeal to the Commission de la fonction publique under the Public Service Act (chapter F-3.1.1) or to a complaint or grievance arising out of a disciplinary or administrative measure and filed by a public servant with the labour commissioner general, the Labour Court or a grievance arbitrator, but the Minister, the Deputy Minister and the Associate Deputy Ministers of the Ministère du Revenu are not compellable; they must, however, on the written application of a party served at least 30 days before the date of hearing and specifying the facts requiring testimony, designate a public servant having knowledge of the facts to testify.”

277. Section 69.0.4 of the said Act, enacted by section 4 of chapter 86 of the statutes of 1997, is amended by replacing the first paragraph by the following:

“69.0.4. Where a member of the Sûreté du Québec or, where applicable, of a municipal police force is authorized to examine any information or

document pursuant to section 69.0.2, the latter or a public servant of the Ministère du Revenu may make a copy thereof.”

278. (1) Section 69.1 of the said Act, amended by section 119 of chapter 63 of the statutes of 1997, by section 355 of chapter 85 of the statutes of 1997 and by section (*insert the number of the section in Bill 186 that amends section 69.1 of the Act respecting the Ministère du Revenu*) of chapter (*insert the chapter number of Bill 186*) of the statutes of (*insert the year of assent to Bill 186*), is again amended, in the second paragraph,

(1) by striking out subparagraph *b*;

(2) by replacing subparagraph *m* by the following:

“(*m*) the Régie de l’assurance-maladie du Québec, to the extent that the information is necessary

(1) to verify whether a person is resident or is deemed to be resident in Québec within the meaning of the Health Insurance Act (chapter A-29),

(2) to verify whether a person was required to register for the basic prescription drug insurance plan established by the Act respecting prescription drug insurance (chapter A-29.01),

(3) to verify the eligibility of a person who applies for assistance under the financial remission program for persons using home-care services, and

(4) to determine the amount of variable assistance that may be granted to a person under the program referred to in subparagraph 3;”.

(2) Paragraph 1 of subsection 1 has effect from 8 December 1994.

279. Section 71 of the said Act is amended by replacing, in the first paragraph, the word “Government” by the word “State”.

280. Section 71.0.3 of the said Act is amended, in the French text of the second paragraph,

(1) by striking out, at the end of subparagraph *d*, “, le cas échéant,”;

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

“*e*) des mesures de sécurité, le cas échéant.”

281. Section 71.0.11 of the said Act is replaced by the following:

“**71.0.11.** The overall strategy of the Ministère du Revenu concerning the obtention, under section 71, of information files for purposes of comparison, pairing or cross-matching shall be included in the Additional Information and

Estimates submitted annually to the National Assembly in accordance with section 38 of the Financial Administration Act (chapter A-6).”

282. Section 71.3 of the said Act is replaced by the following :

“**71.3.** Any document containing information referred to in section 69 that is transferred to the Keeper of the Archives nationales du Québec pursuant to the Archives Act (chapter A-21.1) shall remain confidential for a period of 75 years from the date of the document.”

283. Section 80 of the said Act is amended, in subsection 2, by striking out the words “by certified mail or”.

284. Section 81 of the said Act is amended, in the English text of the portion before paragraph *a*, by inserting, after “return,”, “application,”.

285. Section 83 of the said Act is replaced by the following :

“**83.** An affidavit of a public servant of the Ministère du Revenu attesting that the public servant is entrusted with the appropriate registers, that the public servant is familiar with the operation of the Ministère du Revenu and that an examination of the registers shows that a notice of assessment for a particular taxation year or other period or a notice of determination was mailed or otherwise communicated to a taxpayer or other person subject to a fiscal law, on a designated day, in accordance with a fiscal law, and that after making a careful examination of the registers and having made a search therein, the public servant was unable to ascertain that a notice of objection or appeal respecting the assessment or determination or a request referred to in section 1079.14 of the Taxation Act (chapter I-3), as the case may be, was received within the time allowed therefor, shall be proof, in the absence of proof to the contrary, of the statements contained therein.”

286. Section 87 of the said Act, amended by section 356 of chapter 85 of the statutes of 1997, is again amended

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

“**87.** The date of mailing of any notice of assessment, notice attesting that no duty is payable or decision of the Minister under section 93.1.6 is presumed to be the date of that notice or decision.”;

(2) by replacing, in the English text, the second paragraph by the following :

“Where a person to whom a notice of assessment was directed has not received the notice, the person may apply to a judge of the Court of Québec in order that this failure be remedied, and, if the judge is satisfied, by evidence that the judge considers to be conclusive, that the notice of assessment was not received by the person to whom it was directed and that the person has thus suffered prejudice which is otherwise irreparable, the judge shall order the Minister to serve a certified copy of the notice upon that person.”

287. Section 91.1 of the said Act is amended by replacing the second paragraph by the following:

“An affidavit of a public servant of the Ministère du Revenu, attesting that the public servant is entrusted with the registers concerned and that the document is an accurate reproduction of all the data of any document or information filed with the Minister, shall be annexed to that document.”

288. Section 93 of the said Act, amended by section 357 of chapter 85 of the statutes of 1997, is replaced by the following:

“**93.** Every person having a recourse against the Government arising out of the application of a fiscal law shall direct it against the Deputy Minister.

In addition, any proceedings to which the Deputy Minister is a party, with the exception of a motion provided for by section 93.1.10, shall be served upon the Deputy Minister at the Deputy Minister’s Montréal or Québec office or upon any person in charge of that office.”

289. Section 93.17 of the said Act is replaced, in the English text, by the following:

“**93.17.** A summary appeal may be heard *in camera* if it is established to the satisfaction of the Court that the circumstances of the case justify *in camera* proceedings.”

290. Section 93.19 of the said Act is repealed.

291. Section 93.29 of the said Act is amended by replacing, in the English text, the first paragraph by the following:

“**93.29.** The tribunal may deny the summary appeal or quash, vary or refer to the Minister for re-examination, an assessment, decision, determination or allocation of payment.”

292. Section 94 of the said Act is amended by replacing, in the first paragraph, the words “the Crown” and “the Legislature” by the words “the State” and “the Parliament”, respectively.

293. Section 94.0.1 of the said Act, amended by section (*insert the number of the section in Bill 186 that amends section 94.0.1 of the Act respecting the Ministère du Revenu*) of chapter (*insert the chapter number of Bill 186*) of the statutes of (*insert the year of assent to Bill 186*), is again amended by replacing, in the French text, the second paragraph by the following:

“Cette remise peut être faite par décret général ou particulier; elle peut être entière ou partielle, conditionnelle ou sans condition; si elle est conditionnelle et que la condition n’est pas remplie, le décret qui s’applique à ce cas est sans effet et les procédures peuvent être prises ou continuées comme s’il n’avait pas été pris.”

294. Section 94.5 of the said Act is amended

(1) by replacing, in the English text, the first paragraph by the following:

“94.5. Where an individual who meets the prescribed conditions considers, in the fiscal return filed in accordance with section 1000 of the Taxation Act (chapter I-3) for a taxation year, that the individual is entitled to a refund for that year, as determined under the second paragraph, not exceeding the prescribed amount for that year, the Minister may, prior to determining the tax payable by the individual for that year and the exigible interest and penalties, if any, make an advance to that individual equal to the amount of the refund so estimated, provided that the individual applies therefor at the time of the filing of the individual’s fiscal return.”;

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

“The refund referred to in the first paragraph is, for a year, equal to the aggregate of all amounts to which the individual considers to be so entitled for that year under section 220.3 of the Act respecting municipal taxation (chapter F-2.1), Part I of the Taxation Act, section 78 of the Act respecting the Québec Pension Plan (chapter R-9), the Act respecting real estate tax refund (chapter R-20.1) and section 358 of the Act respecting the Québec sales tax (chapter T-0.1).”

295. Section 95.1 of the said Act is replaced by the following:

“95.1. The Minister is not bound by any fiscal return, report, application for a refund, or information furnished by or in the name of any person, and the Minister may, notwithstanding the return, report, application or information or in the absence thereof, make an assessment or determine a refund.”

296. Section 97.6 of the said Act is amended, in the English text of the second paragraph, by inserting, before the word “subject”, the words “on a short-term basis and”.

297. Section 97.9 of the said Act is amended, in the English text, by replacing the words “adapted as required” by the words “with the necessary modifications”.

298. Section 97.11 of the said Act is replaced by the following:

“97.11. Notwithstanding any provision to the contrary, the Minister of Finance shall, in the event of a deficiency in the consolidated revenue fund, pay out of the Collection Fund the sums required for the execution of a judgment against the State that has become *res judicata*.”

299. The said Act, amended by chapters 63, 85 and 86 of the statutes of 1997 and by chapter (*insert the chapter number of Bill 186*) of the statutes of (*insert the year of assent to Bill 186*), is again amended

(1) by inserting, after the word “ministère”, the words “du Revenu” in the French text of the following provisions:

- the heading of Chapter II;
- the second paragraph of section 3;
- the first and second paragraphs of section 6;
- the first and fourth paragraphs of section 7;
- section 8;
- section 82;

(2) by inserting, after the first mention of the word “Ministère”, the words “du Revenu” in the following provisions:

- section 4;
- the second paragraph of section 84;

(3) by replacing the words “the Crown” or, as the case may be, “Her Majesty in right of Québec” by the words “the State” in the following provisions:

- the fourth paragraph of section 10;
- the third paragraph of section 14;
- section 15.3.1;
- the first and second paragraphs of section 20;
- the first paragraph of section 28;
- the first and second paragraphs of section 33;

(4) by replacing the words “registered or certified mail” by the words “registered mail” in the following provisions:

- the first paragraph of section 15;
- the first paragraph of section 15.1;
- section 15.3;
- section 15.3.1;
- section 15.7;
- the first paragraph of section 17;
- section 17.7;
- the first paragraph of section 17.8;
- section 21;
- section 25.3;
- the second paragraph of section 30.4;
- section 35.5;
- the portion of section 39 before subparagraph *a* of the first paragraph;
- the first paragraph of section 78.2;
- section 79;
- the second paragraph of section 93.1.17;
- the first paragraph of section 93.1.22;
- section 93.13;

(5) by striking out the words “or certified” in the following provisions:

- the second paragraph of section 93.16.1;
- the first paragraph of section 93.31;

(6) by replacing the words “In the case of this section” by the words “In such a case” in the English text of the following provisions:

- the second paragraph of section 94.2;
- the second paragraph of section 94.3;
- the second paragraph of section 94.4.

ACT RESPECTING THE RÉGIE DE L’ASSURANCE-MALADIE DU QUÉBEC

300. (1) Section 34.1.4 of the Act respecting the Régie de l’assurance-maladie du Québec (R.S.Q., chapter R-5), amended by section 375 of chapter 85 of the statutes of 1997, is again amended

(1) by replacing subparagraph 3 of subparagraph iv of paragraph *a* by the following:

“(3) section 311.1 or 312.4 of the said Act; exceeds”;

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

“ii. any amount deducted in computing the individual’s income for the year by reason of paragraphs *d*, *d.1* or *f* to *i* of section 336 of the Taxation Act, except to the extent that paragraph *d* of that section 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 section 336.0.3 of the Taxation Act, by reason of paragraph *b* of section 339 of that Act to the extent that that paragraph refers to an amount that is deductible under section 924, 926 or 928 of that Act, by reason of paragraph *c* of that section 339 to the extent that that paragraph refers to an amount that is deductible under section 952.1 of that Act, by reason of paragraph *d*, *d.1*, *d.2* or *f* of that section 339, or by reason of section 961.20 or 961.21 of that Act;” .

(2) Paragraph 1 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 that paragraph 1, applies to the year 1997, it shall be read as follows:

“(3) section 312.4 of that Act; exceeds”.

(3) Paragraph 2 of subsection 1, where it replaces subparagraph ii of paragraph *b* of section 34.1.4 of the said Act to strike out therein the reference to paragraphs *a* to *b* of subsection 1 of section 336 of the Taxation Act (R.S.Q., chapter I-3) and to insert therein a reference to section 336.0.3 of that Act, applies from the year 1997.

ACT RESPECTING THE QUÉBEC PENSION PLAN

301. (1) Section 59.1 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9), enacted by section 392 of chapter 85 of the statutes of 1997, is amended by replacing “regulated establishment” by “regulated establishment, within the meaning of section 42.6 of the Taxation Act (chapter I-3),”.

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

302. (1) Section 64 of the said Act, amended by section 15 of chapter 73 of the statutes of 1997, is again amended by replacing, in the first paragraph, “Taxation Act (chapter I-3)” by “Act respecting the Ministère du Revenu (chapter M-31)”.

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

ACT RESPECTING THE QUÉBEC SALES TAX

303. Section 224.5 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) is amended, in the English text of paragraph 4, by replacing the word “estate” by the word “succession”.

304. Section 313 of the said Act is amended, in the English text of subparagraph *a* of subparagraph 1 of the second paragraph, by replacing the word “Crown” by the word “State”.

FUEL TAX ACT

305. Section 1.1 of the Fuel Tax Act (R.S.Q., chapter T-1) is amended by replacing the words “Government departments and agencies and mandataries of the Crown” by the words “on Government departments and bodies and on mandataries of the State”.

306. Section 51.3 of the said Act is amended, in the first and second paragraphs, by replacing the word “Crown” by the word “State”.

ACT RESPECTING THE APPLICATION OF THE TAXATION ACT

307. (1) Section 1*a*, enacted by section 142 of chapter 3 of the statutes of 1997, and sections 6 to 8, 11 to 13, 18, 29, 85 to 91, 95 to 99, 103*a*, 117, 118, 126 to 128, 130, 135, 140*a*, 141 and 154*a* of the Act respecting the application of the Taxation Act (1972, chapter 24) are repealed.

(2) Subsection 1, where it repeals sections 95 and 96 of the said Act, applies in respect of renunciations made

(1) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation before 6 March 1996;

(2) after 31 December 2006, in respect of an amount paid or loaned to a joint exploration corporation after 5 March 1996 under an agreement in writing entered into before 6 March 1996 by the joint exploration corporation or by another corporation where the other corporation controlled the joint exploration corporation, or had undertaken to incorporate it, at the time the agreement was entered into;

(3) after 5 March 1996, in any other case.

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

308. (1) Section 28 of the Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1) is amended by replacing subsection 2 by the following:

“(2) Subsection 1 applies to a taxation year of a taxpayer ending after 2 December 1992, but does not apply to a taxation year of a taxpayer beginning before 6 March 1996 in respect of rental expenses incurred pursuant to a written lease agreement that was renewed, extended or entered into before 18 June 1987 by the taxpayer or a person with whom the taxpayer did not deal at arm’s length at the time the lease was renewed, extended or entered into.”

(2) Subsection 1 has effect from 30 January 1995.

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

309. (1) Section 418 of the Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85) is amended, in paragraph 8 of subsection 1, by replacing the portion before the portion of paragraph 3 of the definition of “public college” in section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), replaced by that paragraph 8, by the following:

“(8) in paragraph 3 of the definition of “public college”, by replacing the portion before subparagraph *b* by the following:”.

(2) Subsection 1 has effect from 19 December 1997.

310. (1) Section 430 of the said Act is amended, in subsection 1,

(1) by adding, after subparagraph *b* of subparagraph 2 of the first paragraph of section 22.8 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by subsection 1, the following subparagraph:

“(c) where the possession or use of the property is given or made available in Québec to the recipient and the property is neither property referred to in subparagraph *a* or *b* nor

i. property that is a specified motor vehicle within the meaning of subsection 1 of section 123 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) that is required, at the time the supply is made, to be registered under the laws of another province relating to the registration of motor vehicles, or

ii. property, other than a specified motor vehicle referred to in subparagraph i, the ordinary location of which, as determined at the time the supply is made, is in another province.”;

(2) by replacing the portion of section 22.15 of the Act respecting the Québec sales tax before paragraph 1, enacted by subsection 1, by the following:

“22.15. A supply of a service, other than a service referred to in sections 22.13 and 22.16 to 22.27, is deemed to be made in Québec if”.

(2) Subsection 1 has effect from 19 December 1997.

311. (1) Section 454 of the said Act is amended by replacing the portion before section 54.1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted thereby, by the following:

“454. (1) The said Act is amended by inserting, after section 54, the following sections:”.

(2) Subsection 1 has effect from 19 December 1997.

312. (1) Section 639 of the said Act is amended, in paragraph 3 of subsection 1, by replacing the portion before paragraph 7 of section 357 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by that paragraph 3, by the following:

“(3) by replacing paragraphs 6 and 7 by the following:

“(6) the total of all rebates for which the application is made that are in respect of short-term accommodation not included in a tour package and that are determined in accordance with the formula set out in section 355 does not exceed \$90; and”.

(2) Subsection 1 has effect from 19 December 1997.

313. (1) Section 716 of the said Act is amended, in paragraph 4 of subsection 1, by replacing, in subparagraphs 7.1 and 7.2 of the first paragraph of section 677 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), enacted by that paragraph 4, “20.30” and “20.31” by “22.30” and “22.31”, respectively.

(2) Subsection 1 has effect from 19 December 1997.

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