



CHAPTER 14

An Act respecting stock savings plans, and to again amend the Taxation Act and to amend the Securities Act

[Assented to 22 June 1979]

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

1972, c. 23,
s. 285,
replaced.

1. (1) Section 285 of the Taxation Act (1972, chapter 23), replaced by section 48 of chapter 26 of the statutes of 1978, is again replaced by the following section:

Benefits
under re-
tirement
savings
plan, etc.

“285. The amounts contemplated in section 284 include those in respect of a registered retirement savings plan, to the extent provided for in sections 669 to 693, those required under section 697*i* to be included in computing an individual's income for the year and those required under section 700 to be included in computing the taxpayer's income for the year in respect of the disposition of an interest in a life insurance policy.”

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

1972, c. 23,
s. 524, am.

2. (1) Section 524 of the said act, amended by section 193 of chapter 22 of the statutes of 1975 and by section 7 of chapter 18 of the statutes of 1976, is again amended by replacing the second paragraph by the following paragraph:

Order of
deductions.

“However, the taxpayer shall apply Titles II, IIA, IIB, III, IIIA and IIIB, in that order.”

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

1972, c. 23,
Title III B
and
s. 544b,
added.

3. (1) The said act is amended by inserting, after section 544*a*, the following title and section:

"TITLE III B

"STOCK SAVINGS PLANS

Deduction
under a
stock sav-
ings plan.

"**544 b.** An individual may deduct from his income for the year the amount provided for in section 697g."

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

1972, c. 23,
Title IV A
and ss.
697a-697j,
added.

4. (1) The said act is amended by inserting, after section 697, the following title, chapters and sections:

"TITLE IVA

"STOCK SAVINGS PLANS

"CHAPTER I

"GENERALITIES

Stock
savings
plan
defined.

"**697 a.** For the purposes of this title, a stock savings plan is an arrangement made between an individual, other than a trust, and a broker within the meaning of the Securities Act (Revised Statutes, 1964, chapter 274) having an establishment in Québec and registered with the Commission des valeurs mobilières du Québec, under which that individual entrusts to that broker the custody of such of his shares as he may indicate that are not included in any other plan of any kind for the purposes of this act and in respect of which he elects that the rules provided in this title be made to apply.

Federation
of cooper-
ative
bodies.

The arrangement referred to in the first paragraph may also be made with a federation of cooperative bodies governed by an act referred to in paragraph *b* of the second paragraph of section 697*d* or in paragraph *b* of section 697*e* concerning the custody of some of the shares contemplated in the first paragraph that are issued by a body governed by such an act.

Share eli-
gible to a
stock sav-
ings plan.

"**697 b.** A share may be included in a stock savings plan if it is a common share of an individual

(*a*) that the issuing corporation cannot, under the conditions pertaining to the issue of that share, purchase or redeem on demand, or that such corporation is not bound to purchase or redeem on a fixed date or on the shareholder's demand;

(*b*) carrying voting rights;

(*c*) subscribed and paid;

(d) purchased after 27 March 1979 by the individual as first purchaser other than a broker acting as intermediary or as firm underwriter;

(e) issued by a corporation which, on the date of the prospectus or circular regarding the issue of that share or a right to subscribe for such a share that is filed with the Commission des valeurs mobilières du Québec or, if it is a share issued before 22 June 1979, filed with the Régie de l'électricité et du gaz, satisfies the requirements of sections 697c to 697e and which, in that prospectus or circular, states that the share is a share that may be included in a stock savings plan, entitling the individual, on certain conditions, to the tax deduction provided for under this title;

(f) purchased within the framework of a distribution of such a share or of a right to subscribe for such a share made in accordance with a permission to register or exemption from registration granted after 27 March 1979 by the Commission des valeurs mobilières du Québec pursuant to section 50 of the Securities Act or in accordance with an authorization of the Régie de l'électricité et du gaz granted after 27 March 1979 and before 22 June 1979 or following an exemption from registration or a non-objection granted after 27 March 1979 by the Commission des valeurs mobilières du Québec under subparagraph e of the first paragraph of section 20 of the Securities Act or under the third paragraph of that section; and

(g) the certificate for which is remitted directly to the broker contemplated in section 697a either by the issuer of the certificate or by another broker, within the meaning of the Securities Act, who certifies to him that the share was held, without interruption from its issue, by such a broker acting as intermediary or as firm underwriter.

697c. The corporation contemplated in paragraph e of section 697b must be a Canadian corporation

Corporation eligible to issue a share contemplated in section 697b.

(a) having not fewer than five full-time employees, other than insiders within the meaning of paragraph c of section 139 of the Securities Act;

(b) having common voting shares that are registered with a stock exchange recognized by the Commission des valeurs mobilières du Québec or having common voting shares that were or are, after 6 July 1973, the object of a public distribution for which a prospectus was or is filed with the said Commission and a written permission to make the distribution thereof was or is granted or for which an authorization was granted before 22 June 1979 by the Régie de l'électricité et du gaz; and

(c) having its central management in Québec or having a wage bill in respect of all its employees, within the meaning of

the regulations made pursuant to section 584, of which more than one-half was paid, during its last taxation year ended before the date of the prospectus or circular contemplated in paragraph *e* of section 697*b*, to employees employed in a place of business of the corporation situated in Québec.

Restrictions applicable to certain corporations.

“**697d.** The corporation contemplated in paragraph *e* of section 697*b* must not be a corporation of which more than 50 per cent of the property is shares of another corporation, bonds, debentures, guaranteed investment certificates, units of a mutual trust fund, units representing an undivided share in a project or property, subscription rights or purchasing rights to such shares or cash in hand or on deposit, other than property described in the second paragraph.

Property described.

Property whose description is contemplated in the first paragraph is the following:

(*a*) voting shares of another corporation representing not less than 20 per cent of the voting shares of the capital stock of that other corporation if the latter is not itself a corporation of which more than 50 per cent of the property is property described in the first paragraph; or

(*b*) the shares, bonds or debentures issued by a body governed by the Cooperative Agricultural Association Act (Revised Statutes, 1964, chapter 124), the Cooperative Associations Act (Revised Statutes, 1964, chapter 292) or the Cooperative Syndicates Act (Revised Statutes, 1964, chapter 294), that is not, itself, a body of which more than 50 per cent of the property is property described in the first paragraph.

Certain corporations eligible.

“**697e.** A corporation that does not otherwise meet the requirements of sections 697*c* and 697*d* is deemed to meet such requirements if

(*a*) it is a corporation established pursuant to the Act respecting corporations for the development of Québec business firms and amending the Taxation Act (1976, chapter 33) whose registration is not revoked; or

(*b*) it is a corporation of which more than 50 per cent of the voting shares of the capital stock is owned by one or more bodies governed by the Savings and Credit Unions Act (Revised Statutes, 1964, chapter 293) or the Act respecting the *caisses d'entraide économique* (1974, chapter 68).

Share eligible to a stock savings plan.

“**697f.** A share may also be included in a stock savings plan if it is a share of an individual, other than a membership stock or share, referred to as a “share” in this title and in section 773*a*,

(a) issued by a body governed by an act referred to in paragraph *b* of the second paragraph of section 697*d* or paragraph *b* of section 697*e*;

(b) that the issuing body, on conditions attaching to the issue of that share, cannot purchase, redeem or reimburse, except on its winding-up or on the death of its owner;

(c) that does not qualify for interest or a dividend other than that decided by the general meeting of the members of the issuing body or its board of directors after the end of the term for which it is paid;

(d) that is transferable;

(e) that meets all the requirements provided for in paragraphs *c* to *f* of section 697*b*, *mutatis mutandis*; and

(f) the certificate for which is remitted directly to the broker or to the federation contemplated in section 697*a* by the person issuing the certificate, by another broker within the meaning of the Securities Act, or by another federation contemplated in section 697*a*, which certifies to him that it has been held without interruption from its issuance, by such a broker or such a federation.

“CHAPTER II

“DEDUCTIONS

Maximum deduction.

“**697g.** An individual, other than a trust, who is resident in Québec on the last day of a taxation year and who, during the year, purchased a share and included it in a stock savings plan under which he is a beneficiary, may deduct in computing his taxable income for the year, in respect of the aggregate of the stock savings plans under which he is a beneficiary, an amount not exceeding,

(a) the cost, to him, of the shares purchased by him and included in that aggregate during the year; or

(b) the amount by which the cost, to him, of the shares included in that aggregate at the end of the year exceeds the amount by which the aggregate of the amounts deducted by him under this section in respect of the two preceding taxation years exceeds any amount that must be included in computing his income under section 697*i* for the preceding taxation year, where the amount determined under this subparagraph is less than the amount determined under subparagraph *a*.

Maximum deduction.

However, the amount of that deduction must not be greater than the amount by which the lesser of \$15 000 and 20 per cent of his earned income for the year, within the meaning of section

685, exceeds the aggregate of the amounts deductible in computing the income of the individual for the year under paragraph *c* of section 64 and paragraphs *b* and *ba* of section 309.

Amounts not included in the cost of a share.

“697 *h*. In establishing the cost of a share for the purposes of this title, no account is taken of borrowing costs, brokerage or custody fees or other similar costs in respect of that share.

Alienation of a share not constituting a withdrawal.

Furthermore, the alienation of any share deemed made immediately prior to the death of an individual under section 363 does not constitute a withdrawal of that share from the aggregate of the stock savings plans under which that individual was a beneficiary immediately prior to his death.

“CHAPTER III

“INCLUDED AMOUNTS

Amount to include in computing income.

“697 *i*. An individual, other than a trust, resident in Québec on the last day of a taxation year who, during that year, has withdrawn a share from a stock savings plan under which he is a beneficiary, shall include in computing his income for the year, in respect of the aggregate of the stock savings plans under which he is a beneficiary, an amount equal to

(*a*) the cost to him of the shares he has withdrawn from that aggregate during the year; or

(*b*) the amount by which the aggregate of the amounts deducted by him under section 697*g* in respect of the two preceding taxation years minus any amount that must be included in computing his income under this section for the preceding taxation year, exceeds the cost to him of the shares included in the aggregate of those plans at the end of the year, where that excess amount is less than the amount determined under paragraph *a*.

“CHAPTER IV

“ADMINISTRATION

Record to be kept by the broker.

“697 *j*. Every broker or federation with whom an individual has made an arrangement for a stock savings plan shall keep in Québec a record indicating, in a separate account in the name of the individual, all the operations effected on behalf of that individual under that plan.

Requirements to be fulfilled by the broker.

That broker or federation must also ensure that every share included in the plan satisfies the requirements of paragraphs *d* and *g* of section 697*b* or those of paragraph *e* of section 697*f*, to the

extent that it refers to paragraph *d* of section 697*b*, and of paragraph *f* of the said section 697*f*, and that the prospectus or circular contemplated in paragraph *e* of section 697*b* or paragraph *e* of section 697*f*, to the extent that it refers to paragraph *e* of section 697*b*, concerning that share, bears the stipulation described therein or that the share satisfies the requirements of section 9 of the Act respecting stock savings plans, and to again amend the Taxation Act and to amend the Securities Act (1979, chapter 14).

Statement
to be
filed by
individual.

“**697*k***. An individual must attach to his fiscal return filed for a taxation year in accordance with section 732 a statement in the prescribed form concerning the aggregate of the stock savings plans under which he is a beneficiary together with a copy of all the declarations in the prescribed form received by him in the year in respect of those plans from the brokers or federations contemplated in section 697*a*.”

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

1972, c. 23,
s. 773*a*,
added.

5. (1) The said act is amended by inserting, after section 773, the following section:

False
statements
by broker.

“**773*a***. Where, in a prospectus or circular contemplated in paragraph *e* of section 697*b* or paragraph *e* of section 697*f*, to the extent that it refers to paragraph *e* of section 697*b*, regarding the issue of a share or the conferring of the right to subscribe for a share, a corporation makes the stipulation described in that paragraph and that stipulation is false, the corporation is liable to a penalty equal to twenty per cent of the original amount paid to the corporation for any share of that issue distributed in Québec to an individual other than a trust.

Exception.

This section does not apply in the case of a corporation established pursuant to the Act respecting corporations for the development of Québec business firms and amending the Taxation Act.”

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

1972, c. 23,
s. 774,
replaced.

6. (1) Section 774 of the said act is replaced by the following section:

Burden of
proof
where
penalty.

“**774**. For the purposes of an appeal brought under this part respecting a penalty, the burden of establishing the facts contemplated in sections 772 to 773*a* is on the Minister.”

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

R.S., 1964,
c. 274,
s. 21, am. **7.** Section 21 of the Securities Act (Revised Statutes, 1964, chapter 274), amended by section 2 of chapter 82 of the statutes of 1966/1967, is again amended by striking out subparagraph *b* of the first paragraph.

R.S., 1964,
c. 274,
s. 52, am. **8.** Section 52 of the said act is amended by striking out paragraph *b*.

Transi-
tional
provision. **9.** (1) Notwithstanding any provision inconsistent herewith, a share of a corporation established pursuant to the Act respecting corporations for the development of Québec business firms and amending the Taxation Act (1976, chapter 33) whose registration is not revoked, issued after 27 March 1979 in accordance with a permission granted before 28 March 1979 by the Commission des valeurs mobilières du Québec and purchased by an individual as first acquirer may be included in a stock savings plan even if the prospectus or circular regarding the issue of that share does not stipulate that it can be included in such a plan, provided,

(*a*) in the case of a share issued on or before 22 June 1979, that the share certificate is sent, within ten days following 22 June 1979, to the broker contemplated in section 697*a*; or,

(*b*) in the case of a share issued after 22 June 1979, that the condition provided in paragraph *g* of section 697*b* of the Taxation Act, enacted by section 4, is fulfilled.

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

Coming
into force.

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