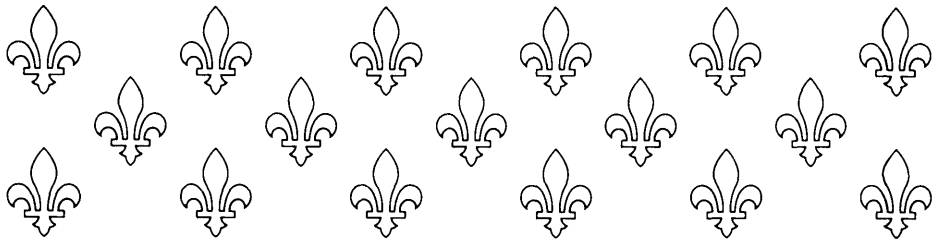

NATIONAL ASSEMBLY

SECOND SESSION THIRTY-FOURTH LEGISLATURE

Bill 70

An Act to again amend the Taxation Act and other legislation

Introduction

Introduced by
Mr Raymond Savoie
Minister of Revenue

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EXPLANATORY NOTES

This bill amends various fiscal laws to give effect, primarily, to the Budget Speech delivered by the Minister of Finance on 14 May 1992 and to Information Bulletins 91-4, 92-1, 92-7 and 92-9 issued by the Ministère des Finances on 4 October 1991, 31 January 1992, 30 June 1992 and 7 July 1992, respectively.

Firstly, this bill amends the Act respecting municipal taxation to adjust the base of payments in lieu of property taxes in respect of businesses that operate a gas distribution or telecommunications network.

Secondly, it amends the Retail Sales Tax Act to provide that, in certain circumstances, the tax in respect of movable property brought into Québec by an individual is payable immediately after its arrival and that it is not exigible in respect of certain movable property brought into Québec by individuals.

Thirdly, it amends the Tobacco Tax Act to provide that tax is not payable in respect of tobacco brought into Québec by an individual in certain circumstances.

Fourthly, the bill amends the Taxation Act to introduce a number of fiscal measures peculiar to Québec. These measures regard the following matters in particular:

(1) the indexing of essential needs recognized in the tax system;

(2) the introduction of a tax credit in respect of moving expenses incurred by an individual so that the individual or a person dependent on him may obtain medical care that is not available in his region;

(3) the introduction of a refundable tax credit for adults housing their parents;

(4) the introduction of rules relating to registered gain-sharing plans that are part of a quality approach, aimed at encouraging

employees and employers to act together in order to increase the competitiveness of their businesses;

(5) the introduction of a refundable tax credit in respect of scientific research and experimental development consortiums and in respect of fees and dues paid to such consortiums by member corporations;

(6) the introduction of an exemption for capital gains derived from the disposition of flow-through shares and other resource property;

(7) the adjustment of the rates of the additional deductions granted in respect of certain exploration expenses incurred in Québec;

(8) an improved tax credit for manpower training;

(9) various adjustments to the Québec stock savings plan, in particular as regards the increased deduction rate for regional venture capital corporations and improvements to the Québec stock savings plan investment fund (QIF) rules;

(10) the increase from $700 to $1 000 of the maximum tax credit that may be claimed by an individual who acquires shares in the Fonds de solidarité des travailleurs du Québec (F.T.Q.);

(11) the possibility of using funds accumulated in a registered home ownership savings plan to purchase furniture;

(12) the adjustments made to the refundable sales tax credit, in particular to take into account the postponement of the implementation of part of the consumption tax reform until 1 July 1992;

(13) the fiscal treatment applicable to gifts of property with a patrimonial value and the special tax applicable where such property is disposed of by an accredited museum or a certified archival centre before the expiry of a certain period;

(14) the two-percentage-point increase in the taxation rate applicable to the qualifying business income of a corporation;

(15) the rules relating to the application of the tax on capital to contributions under uninsured employee benefit plans;

(16) the introduction of a tax to compensate for the benefit resulting from input tax refunds to financial institutions.

Fifthly, this bill amends the Act respecting the Ministère du Revenu to introduce concordance measures related to the introduction of the compensation tax for financial institutions into the Taxation Act.

Sixthly, it amends the Act respecting real estate tax refund to provide, among other things, for the indexing of the maximum amount of taxes giving entitlement to the real estate tax refund.

Seventhly, this bill amends the Fuel Tax Act to provide for new rates applicable in respect of the purchase of fuel in any region in Québec that borders on an American state.

Eighthly, it amends the Act to amend the Taxation Act and other legislation and to make certain provisions respecting retail sales tax, adopted in 1989, so as to include a number of technical provisions.

Ninthly, this bill amends the Act respecting the Québec sales tax and amending various fiscal legislation, adopted in 1991, so as to introduce several measures amending the Québec sales tax system. These measures regard the following matters in particular:

(1) the introduction of a reduced 4 % taxation rate in respect of the supply of incorporeal movable property, immovables and services other than a telephone service or any other telecommunications service that was taxable under the former tax system;

(2) the introduction of rules enabling certain persons to pay tax on a reduced base in respect of road vehicles;

(3) the introduction of rules relating to the payment of the tax in respect of the bringing into Québec of fuel acquired outside Québec and contained in the tank supplying the motor of a road vehicle other than a pleasure vehicle;

(4) the application of the tax in respect of the supply of road vehicles otherwise than in the course of a commercial activity;

(5) the introduction of new rules concerning trade-ins applicable in respect of the acquisition or bringing into Québec of road vehicles;

(6) the zero-rating of the supply of a passenger transportation service that is part of an uninterrupted journey beginning with air service at the Gatineau airport;

(7) the introduction of restrictions to the input tax refund and to the tax rebate provided for certain public service bodies in respect

of road vehicles, telephone and other telecommunications services, meals and entertainment, fuel, electricity, gas, steam and combustibles;

(8) the elimination of the entitlement to a rebate of the tax paid in respect of the acquisition of a residential dwelling-house;

(9) the introduction of a compensating measure for municipalities because of the elimination of the amusement tax;

(10) the introduction of rules allowing persons who carry on a business to obtain a tax rebate in respect of the purchase in Québec of fuel taken and used outside Québec;

(11) the introduction of new measures relating to the reporting periods of certain registrants;

(12) the relaxation of the rules relating to the tax rebate for residential properties under construction on 1 July 1992;

(13) the introduction of a rebate measure for excess amounts collected as tax from 1 May 1992.

Tenthly, the bill amends the Act to amend the Taxation Act and other fiscal legislation, adopted in 1992, so as to again introduce in the Taxation Act the refundable tax credit for taxis.

Finally, the bill amends the Act respecting the Société québécoise de développement de la main-d'oeuvre to strike out all sections that refer to the Taxation Act.

ACTS AMENDED BY THIS BILL:

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

(2) Retail Sales Tax Act (R.S.Q., chapter I-1);

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

(4) Taxation Act (R.S.Q., chapter I-3);

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

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

(7) Fuel Tax Act (R.S.Q., chapter T-1);

(8) Act to amend the Taxation Act and other legislation and to make certain provisions respecting retail sales tax (1989, chapter 5);

(9) Act respecting the Québec sales tax and amending various fiscal legislation (1991, chapter 67);

(10) Act to amend the Taxation Act and other fiscal legislation (1992, chapter 1);

(11) Act respecting the Société québécoise de développement de la main-d'oeuvre (1992, chapter 44).

Bill 70

An Act to again amend the Taxation Act and other legislation

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. (1) Section 220.3 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1) is amended by replacing the first paragraph by the following paragraph:

"**220.3** Every person contemplated in this subdivision may receive a reimbursement of part of the real estate taxes paid in respect of the immovables included in an assessment unit entered on the certificate contemplated in section 220.2 for a municipal or school fiscal period, if the person applies therefor to the Minister of Revenue, in the manner and upon filing the information determined by the Minister,

(*a*) in the case of an individual, not later than 30 April of the year following that fiscal period or, where the individual is unable to meet the time limit, within the 12 months after the end of the time limit if the application sets out the reasons for the delay and if those reasons are satisfactory to the Minister;

(*b*) in the case of a person that is a corporation, before the expiry of 18 months after that fiscal period."

(2) This section applies in respect of applications for a real estate tax refund made by timber producers after 14 May 1992.

2. (1) Section 221 of the said Act is replaced by the following section:

"**221.** A person or partnership that operates or has operated a system certain immovables of which are, under sections 66 to 68, not entered on the roll, must pay, as municipal real estate tax on these immovables and the lands which are the site thereof and are

contemplated in paragraph 7 of section 204, for each municipal fiscal period coinciding with a particular calendar year, in the case of a gas distribution or telecommunications system, a tax based on its taxable revenue and, in the case of an electric power production, transmission or distribution system, a tax based on its taxable gross revenue, for each fiscal period ending in the calendar year preceding the particular year, equal to

(1) in the case of a gas distribution system, 2 % of that portion of the taxable revenue not exceeding $5 000 000, plus 5 % of that portion of such revenue exceeding $5 000 000;

(2) in the case of an electric power production, transmission or distribution system, 3 % of the taxable gross revenue;

(3) in the case of a cable-television system, 2 % of that portion of the taxable revenue not exceeding $5 000 000, plus 8 % of that portion of such revenue exceeding $5 000 000;

(4) in other cases, 3.5 % of that portion of the taxable revenue not exceeding $35 000 000, plus 11 % of that portion of such revenue exceeding $35 000 000."

(2) This section applies from a fiscal period of a person or partnership that operates a gas, electric power or telecommunications system ending after 14 May 1992.

3. (1) Section 222 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**222.** A person or partnership, other than Hydro-Québec and its subsidiaries, that operates or has operated an electric power production system and that itself consumes all or a part of the electric power it produces, must pay to the local municipality in whose territory one of its immovables not entered on the roll under section 68 or not taxable under paragraph 7 of section 204 is situated, as municipal real estate tax on that immovable, for each municipal fiscal period, a tax computed in accordance with section 223."

(2) This section applies from a fiscal period of a person or partnership that operates an electric power system ending after 14 May 1992.

4. (1) Sections 224 to 226.1 of the said Act are replaced by the following sections:

"**224.** Where a person or partnership contemplated in section 221 operates or has operated a system not confined to Québec, the

amount of tax provided for in that section is reduced in accordance with the rules of computation prescribed by the regulation made under paragraph 3 of section 262.

"**225.** A person or partnership contemplated in section 221 must, within six months from the end of a fiscal period, forward to the Minister of Revenue a declaration on the form prescribed under section 265 and a statement of its taxable gross revenue or taxable revenue, as the case may be, for such fiscal period.

"**226.** The amount of tax provided for in section 221 shall be paid to the Minister of Revenue not later than 1 March of the calendar year following the end of each fiscal period of the person or partnership contemplated in that section.

The Minister of Revenue shall collect that tax on behalf of the local municipalities.

"**226.1** Where a person or partnership has a fiscal period exceeding 365 days and thus does not have a fiscal period ending in a particular calendar year, the first fiscal period of that person or partnership ending in the calendar year following the particular year is deemed, for the purposes of this subdivision, to end on the last day of the particular calendar year."

(2) This section applies from a fiscal period of a person or partnership that operates a gas, electric power or telecommunications system ending after 14 May 1992.

5. (1) Section 228 of the said Act is amended

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

"(*a*) in the case of a gas distribution or telecommunications system operated by a person or partnership during a fiscal period, the aggregate of all amounts received or receivable during the fiscal period, according to the method regularly followed by the person or partnership, as the case may be, in computing its income for the purposes of Part I of the Taxation Act (R.S.Q., chapter I-3), otherwise than as capital, not including interest in respect of an obligation or debt secured by a hypothec, dividends and rents or royalties for property, other than equipment not linked to the system, that is not used in the main activity of the person or partnership, as the case may be;";

(2) by striking out subparagraph *b* of paragraph 1;

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

"(2) "taxable gross revenue" in respect of an electric power production, transmission or distribution system means the sum of the following amounts:

(*a*) the amount of gross revenue derived from the sale of electric power for consumption in Québec, less the amount of gross revenue derived from the sale of power contemplated in the second paragraph of section 222, and less the amount of purchases of electric power for resale, if that power is produced in Québec, and

(*b*) the amount of gross revenue derived from the sale of electric power to a transmitter exporting it outside Québec;";

(4) by adding, after paragraph 2, the following paragraphs:

"(3) "net revenue" of a person or partnership for a fiscal period means the amount by which their revenue from the operation of a system for the fiscal period exceeds their loss from the operation of a system for the fiscal period;

"(4) "revenue from the operation of a system" or "loss from the operation of a system" of a person or partnership for a fiscal period means the revenue or loss of the person or partnership, for the fiscal period, from a business, where all or any part of the revenue is derived from the operation of a gas distribution or telecommunications system, and includes any revenue or loss pertaining directly to or incident to the business and any revenue or loss, for the fiscal period, from property used or held for the purpose of earning income from the business, computed in accordance with Part I of the Taxation Act (R.S.Q., chapter I-3), without reference, in respect of the business, to sections 94, 130, 130.1, 147, paragraphs *a* and *b* of section 148, paragraph *d* of section 157, sections 176 and 176.4, subsection 1 of section 179 and paragraphs *f* and *g* of section 600 of the said Act and before any deduction in respect of interest with respect to the business and in respect of any tax provided for in section 221;

"(5) "taxable revenue" of a person or partnership for a fiscal period means the amount by which their net revenue for the fiscal period exceeds the aggregate of the following amounts:

(*a*) their net revenue, for the fiscal period, from the rental of equipment not linked to the system,

(*b*) their net revenue, for the fiscal period, from the rental of time or space for advertising purposes, and

(*c*) their net revenue, for the fiscal period, from the sale of equipment not linked to the system;

"(6) "net revenue from the rental of equipment not linked to the system" of a person or partnership for a fiscal period means an amount equal to such proportion of their net revenue for the fiscal period as their gross revenue, for the fiscal period, from the rental of equipment not linked to the system is of their gross revenue, for the fiscal period, from their business referred to in paragraph 4;

"(7) "net revenue from the rental of time or space for advertising purposes" of a person or partnership for a fiscal period means an amount equal to such proportion of their net revenue for the fiscal period as their gross revenue, for the fiscal period, from the rental of time or space for advertising purposes is of their gross revenue, for the fiscal period, from their business referred to in paragraph 4;

"(8) "net revenue from the sale of equipment not linked to the system" of a person or partnership for a fiscal period means an amount equal to such proportion of their net revenue for the fiscal period as their gross revenue, for the fiscal period, from the sale of equipment not linked to the system is of their gross revenue, for the fiscal period, from their business referred to in paragraph 4."

(2) This section applies to fiscal periods of a person or partnership that operates a gas, electric power or telecommunications system ending after 14 May 1992.

6. (1) The said Act is amended by inserting, after section 228, the following section:

"**228.1** For the purposes of this subdivision, "fiscal period" has the meaning that is assigned thereto for the purposes of Part I of the Taxation Act (R.S.Q., chapter I-3)."

(2) This section applies from a fiscal period of a person or partnership that operates a gas, electric power or telecommunications system ending after 14 May 1992.

7. (1) Section 229 of the said Act is replaced by the following section:

"**229.** Sections 220.2 to 220.13, 221, 224, 225, 226 to 228.1, paragraph 3 of section 262 and section 265 are considered to be fiscal law within the meaning of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).

Title I of Book XI of Part I of the Taxation Act (R.S.Q., chapter I-3) applies to the provisions referred to in the first paragraph, with such modifications as the circumstances require."

(2) This section applies to fiscal periods of a person or partnership that operates a gas, electric power or telecommunications system ending after 14 May 1992.

8. (1) The Retail Sales Tax Act (R.S.Q., chapter I-1) is amended by inserting, after section 7.0.1, the following section:

"**7.0.2** Where an individual resident in Québec brings or causes to be brought into Québec any movable property from outside Canada, other than an alcoholic beverage or a road vehicle within the meaning of the Highway Safety Code (R.S.Q., chapter C-24.2), for use or consumption by himself or by another person at his expense otherwise than exclusively in the course of his commercial activities, the following rules apply:

(*a*) notwithstanding section 7, the individual shall pay the tax provided for in the said section immediately after arrival of the property in Québec;

(*b*) the tax provided for in section 7 does not apply in respect of the property so brought into Québec to the extent that the tax provided for in section 17 of the Act respecting the Québec sales tax and amending various fiscal legislation (1991, chapter 67) would not be payable in respect thereof by reason of the application of section 81 of the said Act if the said Act were in force."

(2) This section has effect from 1 February 1992.

9. (1) Section 7.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

"The person shall pay to the Minister a tax at the rate provided in section 6 on the additional items mentioned in the first paragraph on the date that the use or consumption of the property begins in Québec, or, where section 7.0.2 applies, immediately after arrival of the property in Québec."

(2) This section has effect from 1 February 1992.

10. (1) Section 14.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

"Every person who is required to pay the tax under section 7, 7.1, 8 or 10.1 is under the same requirement and this obtains at the

time provided in those sections or section 7.0.2 or prescribed by regulation."

(2) This section has effect from 1 February 1992.

11. (1) The Tobacco Tax Act (R.S.Q., chapter I-2) is amended by inserting, after section 9, the following section:

"**9.0.1** Where an individual resident in Québec brings or causes to be brought into Québec any tobacco from outside Canada, for consumption by himself or by another person at his expense otherwise than exclusively in the course of his commercial activities, the tax provided for in section 9 does not apply in respect of the tobacco so brought into Québec to the extent that the tax provided for in section 17 of the Act respecting the Québec sales tax and amending various fiscal legislation (1991, chapter 67) is not payable in respect thereof by reason of the application of paragraph 1 of section 81 of the said Act."

(2) This section has effect from 1 February 1992. However, for the period from 1 February 1992 to 30 June 1992, section 9.0.1 of the Tobacco Tax Act, enacted by this section, shall read as if the words "or would not be payable if the said Act were in force" were added immediately thereto before the period.

12. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 6 of chapter 1 of the statutes of 1992, section 570 of chapter (*insert here the chapter number of Bill 38*) of the statutes of (*insert here the year of assent to Bill 38*) and section 1 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended

(1) by inserting, after the definition of "cash method", the following definition:

" "certified archival centre" means an archival centre certified by the Minister of Cultural Affairs and the certification of which is in force;";

(2) by striking out the definition of "life insurance capital dividend";

(3) by replacing the definition of "establishment" by the following definition:

" "establishment" has the meaning assigned to it by sections 12 to 16.2;";

(4) by inserting, before the definition of "adjustment time", the following definition:

" "accredited museum" means a museum accredited by the Minister of Cultural Affairs and the accreditation of which is in force;";

(5) by replacing, in the French text, the definition of "régime d'intéressement" by the following definition:

" "régime d'intéressement" a le sens que lui donne l'article 852, sauf pour l'application du titre V.1.1 du livre IV et du titre III.1 du livre V;".

(2) Paragraphs 1 and 4 of subsection 1 have effect from 1 July 1992.

(3) Paragraph 2 of subsection 1 applies in respect of dividends paid after 23 May 1985.

(4) Paragraph 3 of subsection 1 applies to taxation years ending after 14 May 1992.

(5) Paragraph 5 of subsection 1 applies from the taxation year 1993.

13. (1) Section 1.2 of the said Act is amended by replacing that part preceding paragraph *a* by the following:

"**1.2** For the purposes of this Part, excepting subsection 1 of section 618 and Title VI.5.1 of Book IV, the following rules apply:".

(2) This section applies from the taxation year 1992.

14. (1) Section 2.2 of the said Act, replaced by section 3 of chapter 25 of the statutes of 1991 and section 4 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again replaced by the following section:

"**2.2** For the purposes of section 2.1, paragraphs *a* and *b* of section 312, sections 313 to 313.0.5, paragraphs *a* and *b* of subsection 1 and subsection 2 of section 336, sections 336.1 to 336.4, 454, 456.1 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, the expressions "spouse" and "former spouse" include a spouse or former spouse who is a party to an annulled or annullable marriage."

(2) This section applies from the taxation year 1992.

15. (1) Section 12 of the said Act is amended by adding the following paragraph:

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

(2) This section applies to taxation years ending after 14 May 1992.

16. (1) The said Act is amended by inserting, after section 16.1, the following section:

"**16.2** For the purposes of this chapter, the word "province" includes

(*a*) the Nova Scotia offshore area, within the meaning of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act (Statutes of Canada);

(*b*) the Newfoundland offshore area, within the meaning of the Canada-Newfoundland Atlantic Accord Implementation Act (Statutes of Canada);

(*c*) the Yukon territory;

(*d*) the Northwest Territories."

(2) This section applies to taxation years ending after 14 May 1992.

17. (1) Section 21.1 of the said Act, amended by section 9 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended

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

"**21.1** Sections 21.2 and 21.3 apply in respect of the control of a corporation for the purposes of sections 6.2, 93.4, 222 to 230.0.0.2, 384, 384.4, 384.5, 418.26 to 418.30, 518.2, 547.1, 564.2 to 564.4.2, 727 to 737 and 776.1.5.6.";

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

"Section 21.4.1 applies in respect of the control of a corporation for the purposes of sections 6.2, 93.4, 222 to 230.0.0.2, 384, 384.4, 384.5, 418.26 to 418.30, 727 to 737 and 776.1.5.6."

(2) This section, where it adds to the first and third paragraphs of section 21.1 of the Taxation Act a reference to section 776.1.5.6 of the said Act, applies from the taxation year 1993.

18. (1) Section 156.2 of the said Act is amended by replacing the first paragraph by the following:

"**156.2** The amount referred to in paragraph *a* of section 156.1 is, in respect of an individual for a taxation year, equal to 25 % of the amount determined in respect of the individual for the year according to the following formula:

$$A \times \frac{B}{C}.".$$

(2) This section applies in respect of property acquired after 7 July 1992.

19. (1) Section 156.3 of the said Act is amended by replacing the first paragraph by the following:

"**156.3** The amount referred to in paragraph *b* of section 156.1 is, in respect of a corporation for a taxation year, equal to 25 % of the amount determined in respect of the corporation for the year according to the following formula:

$$A \times \frac{B}{C}.".$$

(2) This section applies in respect of property acquired after 7 July 1992.

20. (1) Section 264.4 of the said Act is amended by replacing subparagraph iii of paragraph *b* by the following subparagraph:

"iii. the aggregate of all amounts each of which is 4/3 of the amount deducted by him under Titles VI.5 and VI.5.1 of Book IV in computing his taxable income for a preceding taxation year ending after 31 December 1989."

(2) This section applies from the taxation year 1992.

21. (1) Section 336 of the said Act, amended by section 30 of chapter 1 of the statutes of 1992, section 94 of chapter (*insert here the chapter number of Bill 43*) of the statutes of (*insert here the year of assent to Bill 43*) and section 136 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended by replacing paragraph *k* of subsection 1 by the following paragraph:

"(*k*) an amount paid by an individual before the end of the year as interest or repayment of the principal relating to a loan granted, in respect of a program of studies, under a prescribed assistance program, to the extent that the amount has not been deducted in computing his income for a preceding taxation year and does not exceed the amount by which the amount of the loan reconciled in accordance with the assistance program exceeds the aggregate of all amounts each of which is an amount deducted under this paragraph in computing his income for any such year, and provided that

i. the individual has obtained a diploma attesting to the successful completion of the program of studies and has filed a copy of it with the financial institution designated for the purposes of the assistance program before the end of the year and on or before the second anniversary of the expected completion of the studies related to the assistance program,

ii. the amount is paid after the tenth working day, within the meaning assigned by the assistance program, after the Friday of the week during which the studies related to the assistance program were completed, and

iii. the amount is paid on or before the tenth anniversary of the signature of the loan repayment agreement provided for in the assistance program."

(2) This section applies from the taxation year 1992.

22. (1) Section 693 of the said Act, amended by section 249 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended by replacing the second paragraph by the following paragraph:

"However, the taxpayer shall apply the provisions of this book in the following order: sections 737.8 and 737.17, Titles V, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, V.1.1, VI.3.2, VI.3.2.1, VI.3.2.2, VI.3.3, VI.3.4, VI.3.1.1, VII, VI.5, VI.5.1 and VI.6 and sections 737.14 to 737.16 and 737.21."

(2) This section

(*a*) has effect from 20 December 1990 where it adds to the second paragraph of section 693 of the Taxation Act a reference to Title VI.3.1.1 of Book IV of Part I of the said Act, and from 3 May 1991 where it adds to that second paragraph a reference to Title VI.3.2.2 of the said Book IV; and

(*b*) applies from the taxation year 1992 where it adds to the second paragraph of section 693 of the Taxation Act a reference to Title VI.5.1 of Book IV of Part I of the said Act, and from the taxation year 1993 where it adds to that second paragraph a reference to Title V.1.1 of the said Book IV.

23. (1) Section 710 of the said Act, amended by section 251 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended by inserting, after paragraph *b*, the following paragraph:

"(*b*.1) a certified archival centre or an accredited museum, where the object of the gift is a prescribed cultural property;".

(2) This section applies in respect of a gift made after 30 June 1992.

24. (1) The said Act is amended by inserting, after section 710.1, the following section:

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

(2) This section applies in respect of a gift made after 30 June 1992.

25. (1) Section 711 of the said Act, replaced by section 253 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again replaced by the following section:

"**711.** The deductions allowed by paragraphs *c* to *j* of section 710 must not exceed in aggregate 20 % of the income of the taxpayer for the year, computed before any deduction under section 800, the deduction allowed by paragraph *a* of the said section 710 must not exceed the taxpayer's income for the year decreased by the amounts deducted under paragraphs *c* to *j* thereof, the deduction allowed by paragraph *b* of the said section 710 must not exceed the taxpayer's income for the year decreased by the amounts deducted under

paragraphs *a* and *c* to *j* thereof, and the deduction allowed by paragraph *b*.1 of the said section 710 must not exceed the taxpayer's income for the year decreased by the amounts deducted under paragraphs *a*, *b* and *c* to *j* thereof."

(2) This section applies in respect of a gift made after 30 June 1992.

26. (1) The said Act is amended by inserting, after section 712, the following section:

"**712.0.1** No taxpayer may deduct, for a taxation year, an amount under section 710 in respect of a gift of a property referred to in paragraph *b*.1 of the said section unless he files with the Minister, together with the fiscal return he is required to file under section 1000 for the year, a certificate issued by the Commission des biens culturels du Québec setting forth that the property was acquired by a certified archival centre or an accredited museum, in accordance with its acquisition and conservation policy and with the directives of the Ministère des Affaires culturelles, and indicating the fair market value of the property determined in accordance with section 710.2."

(2) This section applies in respect of a gift made after 30 June 1992.

27. (1) The said Act is amended by inserting, after section 725.7, the following:

"TITLE V.1.1

"DEDUCTION IN RESPECT OF A REGISTERED GAIN-SHARING PLAN THAT IS PART OF A QUALITY APPROACH

"**725.8** In this title,

"eligible beneficiary" under a registered gain-sharing plan that is part of a quality approach of a corporation means an individual who, as an employee of the corporation, is entitled to receive an amount under the plan and is not an excluded beneficiary described in section 776.1.5.2 in respect of the plan;

"registered gain-sharing plan that is part of a quality approach" of a corporation has the meaning assigned in the first paragraph of section 776.1.5.1.

"**725.9** An individual may deduct in computing his taxable income for a taxation year an amount not exceeding the least of

(*a*) $3 000,

(*b*) the aggregate of all amounts each of which is an amount that is certified by a corporation, in prescribed manner, to have been received by the individual in the year as an eligible beneficiary under a registered gain-sharing plan that is part of a quality approach of the corporation, and

(*c*) the amount by which $6 000 exceeds the aggregate of all amounts each of which is an amount deducted under this section by the individual in computing his taxable income for any preceding taxation year.

Notwithstanding the foregoing, no amount may be deducted under the first paragraph by an individual for any taxation year subsequent to the fifth taxation year following that which includes the date on which a registration number was assigned by the Minister, in accordance with section 776.1.5.3, to the registered gain-sharing plan that is part of a quality approach of a corporation under which the individual first received an amount under any such plan of a corporation.

Furthermore, for the purposes of subparagraph *b* of the first paragraph, any amount received by an individual under a registered gain-sharing plan that is part of a quality approach of a corporation after the time the certificate issued by the Minister of Industry, Trade and Technology in respect of the plan was revoked, is deemed not to be an amount received by the individual under the plan."

(2) This section applies from the taxation year 1993.

28. (1) Section 726.4.8.6 of the said Act, enacted by section 36 of chapter 1 of the statutes of 1992, is amended by replacing that part of subparagraph *b* of the second paragraph preceding subparagraph i by the following:

"(*b*) the amount by which 200 % of the divided interest of the share in the qualified investment exceeds the amount obtained by applying the following percentage to the divided interest of the share in the qualified investment:".

(2) This section has effect from 3 May 1991.

29. (1) The said Act is amended by inserting, after section 726.4.8.7, the following section:

"**726.4.8.7.1** Where a corporation has made qualified expenditures in respect of a property that is a Québec film production

before the beginning of the period referred to in subparagraph i or ii, as the case may be, of subparagraph *d* of the first paragraph of section 726.4.8.1 in respect of such property, where no amount has been deemed to have been paid by the corporation under section 1029.8.35 in respect of those expenditures for any taxation year preceding that in which the period began and where those expenditures could have been, in addition to those already the subject thereof, the subject of the undertaking referred to in the said subparagraph i or ii, as the case may be, if, for the purpose of making the undertaking, the corporation could have considered that the expenditures were to be made during that period, the following rules apply:

(*a*) where the corporation is the issuer or, as the case may be, the designated corporation referred to in the said subparagraph i, and the public share issue referred to in that subparagraph is a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 14 May 1992, the expenditures are deemed, for the purposes of sections 726.4.8.4, 726.4.8.5 and 726.4.8.7 and to such extent as the corporation elects, to have been made by the corporation immediately after the beginning of that period in accordance with the undertaking referred to in the said subparagraph i and shall, for the purposes of subparagraph *c* of the second paragraph of section 726.4.8.4 or 726.4.8.5, as the case may be, be added to the amount stipulated in the final prospectus or the application for exemption from filing a prospectus as the amount of qualified expenditures the corporation has undertaken to make in respect of the property;

(*b*) where the corporation is the designated corporation referred to in the said subparagraph ii and the qualified investment referred to in that subparagraph is a qualified investment made by a designated company in accordance with a final prospectus the receipt for which was granted after 14 May 1992 or with an exemption from filing a prospectus granted after 14 May 1992, the expenditures are deemed, for the purposes of sections 726.4.8.6 and 726.4.8.7 and to such extent as the corporation elects, to have been made by the corporation immediately after the beginning of that period in accordance with the agreement referred to in the said subparagraph ii out of the consideration it received in respect of the qualified investment and shall, for the purposes of subparagraph *j* of the first paragraph of section 726.4.8.1, be added to the amount of the consideration referred to in that subparagraph *j*."

(2) This section has effect from 15 May 1992.

30. (1) The said Act is amended by inserting, after section 726.4.10, the following section:

"**726.4.10.1** Where an expense referred to in subparagraph i of paragraph *a* of section 726.4.10 was incurred after 14 May 1992, the reference in the said paragraph *a* to "33 1/3 %" shall, in respect of the expense, read as a reference to "25 %".

The first paragraph does not apply in respect of an expense

(*a*) incurred pursuant to an agreement in writing referred to in section 359.1 that was entered into before 15 May 1992 in respect of the issue of a flow-through share, or

(*b*) incurred, directly or indirectly, out of the proceeds of a public issue of shares or interests in a partnership in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted before 15 May 1992."

(2) This section has effect from 15 May 1992.

31. (1) The said Act is amended by inserting, after section 726.4.11, the following section:

"**726.4.11.1** Where an amount referred to in paragraph *b* of section 726.4.11 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be regarded as having been an expenditure in respect of which section 726.4.10.1 applied, the reference in paragraph *b* of the said section 726.4.11 to "33 1/3 %" shall, in respect of the amount, read as a reference to "25 %"."

(2) This section has effect from 15 May 1992.

32. (1) The said Act is amended by inserting, after section 726.4.17.2, the following section:

"**726.4.17.2.1** Where an expense referred to in paragraph *a* of section 726.4.17.2 was incurred after 14 May 1992, the reference in the said section to "33 1/3 %" shall read, in respect of the expense, as a reference to "50 %".

The first paragraph does not apply in respect of an expense

(*a*) incurred pursuant to an agreement in writing referred to in section 359.1 that was entered into before 15 May 1992 in respect of the issue of a flow-through share, or

(*b*) incurred, directly or indirectly, out of the proceeds of a public issue of shares or interests in a partnership in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted before 15 May 1992."

(2) This section has effect from 15 May 1992.

33. (1) The said Act is amended by inserting, after section 726.4.17.3, the following section:

"**726.4.17.3.1** Where an amount referred to in paragraph *b* of section 726.4.17.3 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be regarded as having been an expenditure in respect of which section 726.4.17.2.1 applied, the reference in paragraph *b* of the said section 726.4.17.3 to "33 1/3 %" shall, in respect of the amount, read as a reference to "50 %"."

(2) This section has effect from 15 May 1992.

34. (1) Section 726.4.18 of the said Act, amended by section 42 of chapter 1 of the statutes of 1992 and section 262 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended

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

"i. a qualifying share referred to in subparagraph i of subparagraph *b*, issued after 12 May 1988 by an issuer referred to in subparagraph i of subparagraph *e* as part of a public share issue, in respect of which it is stipulated, in the final prospectus or the application for exemption from filing a prospectus, that the issuer or, as the case may be, a designated corporation referred to in subparagraph i or ii of subparagraph *d* whose corporate name is disclosed in the final prospectus or the application for exemption from filing a prospectus, undertakes, firstly, to make expenditures in respect of scientific research and experimental development carried on in Québec, in an amount exceeding 50 % of the consideration received for the share, where the receipt for the final prospectus or the exemption from filing a prospectus was granted before 17 May 1989 or in an amount, to be stipulated by the issuer in the final prospectus or in the application for exemption from filing a prospectus, equal to all or part of the consideration received for the share where the receipt for the final prospectus or the exemption from filing a prospectus was granted after 16 May 1989, in the period

beginning on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and ending on a date to be stipulated by the issuer in the final prospectus or the application for exemption from filing a prospectus and, secondly, to renounce, in accordance with section 726.4.27, in respect of the share, in prescribed form, all or part of an amount that the issuer or, as the case may be, the designated corporation, will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of expenditures so made, other than those in respect of which an amount has been paid to a qualified research consortium referred to in paragraph *a*.1.1 of section 1029.8.1, to the extent that such expenditures do not exceed the consideration received for the share by the issuer; or";

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

"iii. an interest share in a qualified investment, other than a qualified investment regarding which an agreement referred to in subparagraph ii was entered into, made by a designated company, after 16 May 1989, in a designated corporation referred to in subparagraph iii of subparagraph *d* pursuant to an agreement in writing entered into after that date between the designated company and the designated corporation and under which the designated corporation undertakes, firstly, to make, out of the consideration received in respect of the qualified investment, expenditures in respect of scientific research and experimental development carried on in Québec, in an amount, to be stipulated in the agreement, equal to the whole or part of the consideration, in the period beginning on the day the designated company makes the qualified investment in the designated corporation and ending on a date to be stipulated in the agreement, and, secondly, to renounce, in accordance with section 726.4.27, in respect of the share, in prescribed form, all or part of the amount the designated corporation will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of the expenditures so made, other than those in respect of which an amount has been paid to a qualified research consortium referred to in paragraph *a*.1.1 of section 1029.8.1, to the extent that such expenditures do not exceed the divided interest of the share in the qualified investment;";

(3) by replacing subparagraphs 1 and 2 of subparagraph iv of subparagraph *c* of the first paragraph by the following subparagraphs:

"(1) that, on the one hand, the issuer undertakes to use all or part of the proceeds of the share issue, in this subparagraph referred to as the "particular proceeds", which must not be less than the minimum amount provided for in section 726.4.20.1 in respect of the proceeds

and which must be indicated in the final prospectus or the application for exemption from filing a prospectus, for the purpose of financing, by means of the acquisition of common shares with full voting rights, issued to the issuer by a qualified corporation the corporate name of which is disclosed in the final prospectus or the application for exemption from filing a prospectus, expenditures in respect of scientific research and experimental development carried on in Québec by the qualified corporation or on its behalf and, on the other hand, the qualified corporation undertakes, firstly, to use the consideration received in respect of the shares it has issued to the issuer for the purpose of making expenditures in respect of scientific research and experimental development carried on in Québec in the period beginning on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and ending on a date to be stipulated by the issuer in the final prospectus or the application for exemption from filing a prospectus and, secondly, to renounce, if it so elects, in accordance with section 726.4.27, in respect of the share issued by the issuer, in prescribed form, all or any part, determined by the corporation, of the amount the corporation will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of the expenditures so made, other than those in respect of which an amount has been paid to a qualified research consortium referred to in paragraph *a*.1.1 of section 1029.8.1; and

"(2) where applicable, that, on the one hand, the issuer undertakes to use part of the particular proceeds, which he will have recovered after having used it to acquire common shares with full voting rights, issued to him by a particular qualified corporation referred to in subparagraph 1, for the purpose of financing, by means of the acquisition of common shares with full voting rights, issued to the issuer by a qualified corporation the corporate name of which is disclosed in the final prospectus or the application for exemption from filing a prospectus, expenditures in respect of scientific research and experimental development carried on in Québec, which will not have been incurred by any such particular qualified corporation or on its behalf and, on the other hand, that the qualified corporation undertakes, firstly, to use the consideration received in respect of the shares it has issued to the issuer for the purpose of making expenditures in respect of scientific research and experimental development carried on in Québec in the period beginning on the date of the receipt for the final prospectus or of the exemption from filing a prospectus and ending on a date to be stipulated by the issuer in the final prospectus or the application for exemption from filing a prospectus and, secondly, to renounce, if it so elects, in accordance with section 726.4.27, in respect of the share issued by the issuer, in prescribed form, all or any part, determined by the corporation, of

the amount the corporation will be deemed to have paid under section 1029.7, 1029.8.6 or 1029.8.10 in respect of the expenditures so made, other than those in respect of which an amount has been paid to a qualified research consortium referred to in paragraph *a*.1.1 of section 1029.8.1;";

(4) by striking out subparagraph *g*.0.1 of the first paragraph.

(2) Paragraphs 1 to 3 of subsection 1 have effect from 15 May 1992. However, where the said paragraph 3 adds to subparagraphs 1 and 2 of subparagraph iv of subparagraph *c* of the first paragraph of section 726.4.18 of the Taxation Act the words "if it so elects," and replaces therein the words "all or part of the amount" by the words "all or any part, determined by the corporation, of the amount", it applies in respect of research and development share issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992.

(3) Paragraph 4 of subsection 1 has effect from 3 May 1991.

35. (1) Section 726.4.22.1 of the said Act, amended by section 44 of chapter 1 of the statutes of 1992, is again amended by replacing subparagraphs ii to iv of subparagraph *b* of the second paragraph by the following subparagraphs:

"ii. 125 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4 of the said Act, a qualified investment referred to in section 12.2 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4.1 of the said Act or a qualified investment referred to in section 12.3 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4 of the said Act;

"iii. 150 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4.1 of the said Act, a qualified investment referred to in section 12.3 of the said Act that is made after 2 May 1991 by a designated company referred to in section 4 of the said Act or a qualified investment referred to in section 12.3 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4.1 of the said Act;

"iv. 175 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4.1 of the said Act."

(2) This section has effect from 3 May 1991.

36. (1) Section 726.4.24.1 of the said Act, amended by section 45 of chapter 1 of the statutes of 1992, is again amended by replacing subparagraphs ii to iv of subparagraph *b* of the second paragraph by the following subparagraphs:

"ii. 125 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4 of the said Act, a qualified investment referred to in section 12.2 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4.1 of the said Act or a qualified investment referred to in section 12.3 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4 of the said Act;

"iii. 150 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4.1 of the said Act, a qualified investment referred to in section 12.3 of the said Act that is made after 2 May 1991 by a designated company referred to in section 4 of the said Act or a qualified investment referred to in section 12.3 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4.1 of the said Act;

"iv. 175 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4.1 of the said Act."

(2) This section has effect from 3 May 1991.

37. (1) Section 726.4.26.1 of the said Act, amended by section 46 of chapter 1 of the statutes of 1992, is again amended by replacing subparagraphs ii to iv of subparagraph *b* of the second paragraph by the following subparagraphs:

"ii. 125 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4 of the said Act, a qualified investment referred to in section 12.2 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4.1 of the said Act or a qualified investment referred to in section 12.3 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4 of the said Act;

"iii. 150 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4.1 of the said Act, a qualified investment referred to in section 12.3 of the said Act that is made after 2 May 1991 by a designated company referred to in section 4 of the said Act or a qualified investment referred to in section 12.3 of the said Act that is made before 3 May 1991 by a designated company referred to in section 4.1 of the said Act;

"iv. 175 % of the divided interest of the share in the qualified investment in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) that is made after 2 May 1991 by a designated company referred to in section 4.1 of the said Act."

(2) This section has effect from 3 May 1991.

38. (1) Section 726.4.43 of the said Act is amended by replacing paragraph *a* by the following paragraph:

"(*a*) "university research contract" means a contract that a partnership carrying on a business in Canada, or a prescribed linkage agency acting for the benefit of such a partnership in accordance with an agreement between them, enters into between 30 April 1987 and 1 January 1994 with an eligible university entity, whereunder the latter binds itself to make in Québec, before 1 January 1996, on behalf of the partnership, expenditures in respect of scientific research and experimental development directly undertaken by the entity, related to a business of the partnership or of the other partnership or the taxpayer contemplated in the third paragraph of section 726.4.50 with which the partnership is in relation, where the latter are entitled to exploit the results thereof;".

(2) This section has effect from 15 May 1992.

39. (1) Title VI.4 of Book IV of Part I of the said Act is repealed.

(2) This section applies from the taxation year 1993. Furthermore, where section 726.5 of the Taxation Act, repealed by this section, applies to the taxation years 1990 to 1992, it shall read as follows:

"**726.5** Where it so elects, a corporation shall add to its taxable income otherwise determined for a taxation year an amount equal to the amount it adds for the year to its taxable income computed for the purposes of the Income Tax Act (Statutes of Canada) pursuant to section 110.5 of the said Act."

40. (1) The said Act is amended by inserting, after section 726.20, the following:

"TITLE VI.5.1

"ADDITIONAL CAPITAL GAINS EXEMPTION IN RESPECT OF CERTAIN RESOURCE PROPERTIES

"CHAPTER I

"INTERPRETATION

"**726.20.1** In this title,

"eligible taxable capital gain amount" of an individual for a taxation year from the disposition of a resource property, referred to in this definition as the "particular property", means the least of

(*a*) the amount by which the aggregate of all amounts each of which is the amount that may reasonably be considered to have been deducted by the individual under this Title in computing the individual's taxable income for any preceding taxation year in respect of the disposition of the particular property is exceeded by 3/4 of:

i. where the particular property was owned by the individual immediately before the disposition and was a property referred to in paragraph *a* or *b* of the definition of "resource property" in respect of the individual, the amount by which the cost to the individual of the particular property, determined without reference, where applicable, to section 419.0.1, exceeds the adjusted cost base to the individual of the particular property immediately before the disposition,

ii. where the particular property was owned by the individual immediately before the disposition and was a property referred to in

paragraph *c* of the definition of "resource property" in respect of the individual that was substituted for another property that was a flow-through share or an interest in a partnership, the amount by which the cost to the individual of the other property, determined without reference, where applicable, to section 419.0.1, exceeds the aggregate of the adjusted cost base to the individual of the other property immediately before the substitution and the capital gain, if any, of the individual from the disposition of the other property at the time of the substitution, and

iii. where immediately before the disposition the particular property was owned by a particular partnership of which the individual is a member, whether directly or indirectly through another partnership, the amount that may reasonably be considered to be the individual's share of the amount by which the cost to the partnership of the particular property, determined without reference, where applicable, to section 419.0.1, exceeds the adjusted cost base to the partnership of the particular property immediately before the disposition;

(*b*) the taxable capital gain of the individual for the year from the disposition of the particular property; and

(*c*) nil, in the following cases:

i. where the particular property is a property described in section 726.7 or 726.7.1, the amount by which $375 000 exceeds the aggregate of all amounts determined under subparagraphs i to iii of paragraph *a* of section 726.7 in respect of the individual for the year and the amount, if any, deducted under Title VI.5 by the individual in computing the individual's taxable income for the year, is not nil, and

ii. where the particular property is a property described in section 726.8, the excess established for the year under subparagraph i in respect of the individual and the amount by which $75 000 exceeds the aggregate of all amounts determined under subparagraphs i to iii of paragraph *a* of section 726.8 in respect of the individual for the year and the amount, if any, deducted under Title VI.5 by the individual in computing the individual's taxable income for the year are not nil;

"flow-through share" has the meaning assigned by section 359.1;

"resource property" of an individual or partnership means capital property owned by the individual or the partnership, as the case may be, that is

(*a*) a flow-through share issued to an individual or partnership, as the case may be, pursuant to an agreement in writing entered into during the period, referred to in this definition as the "particular period", commencing on 15 May 1992 and ending on 31 December 1993, as part of a public share issue, where the flow-through share was issued as part of such an issue, in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted during the particular period;

(*b*) an interest in a particular partnership acquired by the individual or partnership, as the case may be, during the particular period as part of a public issue of interests in a partnership, where the interest in the particular partnership was acquired as part of such an issue, in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted during the particular period, provided that

i. a flow-through share referred to in paragraph *a* is issued to the particular partnership, or

ii. the particular partnership incurs Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses after 14 May 1992; or

(*c*) a property, in this paragraph referred to as the "new property", substituted for another property that was a resource property of the individual under paragraph *a* or *b*, where

i. the new property was then acquired by the individual through a transaction in respect of which an election was made under section 518, 614 or 620 or in respect of which sections 536 to 539, 541 to 543.1 or 626 to 632 apply, on the winding-up of a Canadian corporation in respect of which sections 556 to 564.1 and 565 apply, or by reason of an amalgamation within the meaning of section 544, and

ii. the individual has elected, in a letter enclosed with his fiscal return and containing, in particular, a description of the other property and the circumstances in which the new property was acquired, on or before the day on or before which the individual is required to file his fiscal return under section 1000 for the taxation year in which the substitution occurred, to consider the new property as being a resource property of the individual under this paragraph.

"CHAPTER II

"DEDUCTION

"**726.20.2** An individual other than a trust, in computing his taxable income for a taxation year may deduct, if he was resident in Canada throughout the year and disposed of a resource property, such amount as he may claim not exceeding the least of

(*a*) the amount by which 3/4 of the excess that would be referred to in paragraph *a* of section 726.4.10 in respect of the individual at the end of the year if the only expenses referred to in that paragraph were expenses in respect of which section 726.4.10.1 applied, exceeds the aggregate of all amounts each of which is an amount deducted under this section by the individual in computing the individual's taxable income for a preceding taxation year,

(*b*) the aggregate of all amounts each of which is the eligible taxable capital gain amount of the individual for the year from the disposition of a resource property,

(*c*) the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses if the only properties referred to in that paragraph were resource properties,

(*d*) the amount by which the annual gains limit, within the meaning of subparagraph *b* of the first paragraph of section 726.6, of the individual for the year exceeds the amount deducted under Title VI.5 by the individual in computing the individual's taxable income for the year, and

(*e*) the amount by which the cumulative gains limit, within the meaning of subparagraph *c* of the first paragraph of section 726.6, of the individual at the end of the year exceeds the amount deducted under Title VI.5 by the individual in computing the individual's taxable income for the year.

"CHAPTER III

"SPECIAL RULES OF APPLICATION

"**726.20.3** Sections 726.10 to 726.13, 726.17 and 726.20 apply to this title, with such modifications as the circumstances require.

"**726.20.4** Any reference in section 261, 270, 462.6, 517.4.2 or 517.4.4 to Title VI.5 or to sections 726.6 to 726.20 is deemed to include a reference to this title."

(2) This section applies from the taxation year 1992.

41. (1) Section 728 of the said Act is amended

(1) by replacing that part preceding paragraph *a*.1 by the following:

"**728.** For the purposes of section 727, the "non-capital loss" of a taxpayer for a taxation year means the amount by which

(*a*) the amount determined pursuant to section 728.0.1 for the year in respect of the taxpayer exceeds";

(2) by striking out paragraph *a*.1.

(2) This section applies from the taxation year 1993.

42. (1) Section 728.0.1 of the said Act is amended by replacing paragraph *a* by the following paragraph:

"(*a*) the aggregate of his losses for the year from an office, employment, business or property, his allowable business investment losses for the year, the amounts deducted by him in computing his taxable income for the year under sections 726.4.1 and 726.4.3 to 726.4.7 and Titles VI.5 and VI.5.1, or that he could have so deducted for the year under section 726.4.3 if his income had been sufficient therefor, and all amounts deductible in computing his taxable income for the year pursuant to any of sections 725, 725.1.1, 725.2 to 725.6, 725.9, 738 to 746 and 845 exceeds".

(2) This section applies from the taxation year 1992. However, where it adds to paragraph *a* of section 728.0.1 of the Taxation Act a reference to section 725.9 of the said Act, it applies from the taxation year 1993.

43. (1) Section 730.1 of the said Act is amended by replacing paragraph *c* by the following paragraph:

"(*c*) 2/3 of the aggregate of amounts deducted under Titles VI.5 and VI.5.1 in computing his taxable income for taxation years preceding the particular year and ending after 31 December 1989."

(2) This section applies from the taxation year 1992.

44. (1) Section 737 of the said Act, replaced by section 276 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is amended by replacing subparagraph ii of subparagraph *b* of the first paragraph of section

729.1 of the said Act, enacted by paragraph *b* of the said section 737, by the following subparagraph:

"ii. all amounts each of which is an amount deducted by the taxpayer under Title VI.5 or VI.5.1 in computing the taxpayer's taxable income for a taxation year, except to the extent that, where the particular year is the year in which the taxpayer died, the amount claimed under section 729 for the preceding taxation year in respect of the taxpayer's net capital losses exceeds the amount so determined under subparagraph i."

(2) This section applies from the taxation year 1992.

45. (1) Section 737.18 of the said Act, amended by section 51 of chapter 1 of the statutes of 1992, is again amended by replacing paragraph *g* by the following paragraph:

"(*g*) every capital gain realized during the prescribed period in his regard for the purposes of the first paragraph of section 737.16 and every capital loss, including allowable business investment losses, for that period are deemed to be nil for the purposes of Titles VI.5 and VI.5.1."

(2) This section applies from the taxation year 1992.

46. (1) Section 737.22 of the said Act, amended by section 53 of chapter 1 of the statutes of 1992 and section 278 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended by inserting, after paragraph *d*, the following paragraph:

"(*d*.1) where he has included in computing his income for the year an amount received by him under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in his eligible income for the year, the amount is, for the purposes of the deduction under section 725.9, deemed to be nil;".

(2) This section applies from the taxation year 1993.

47. (1) Section 752 of the said Act, amended by section 54 of chapter 1 of the statutes of 1992, is again amended by replacing paragraph *b* by the following paragraph:

"(*b*) 58 % of the amount by which the income for the year of the person contemplated in paragraph *a* exceeds $5 900."

(2) This section applies from the taxation year 1993.

48. (1) Section 752.0.1 of the said Act, amended by section 55 of chapter 1 of the statutes of 1992, is again amended

(1) by replacing that part preceding subparagraph i of paragraph *b* by the following:

"**752.0.1** An individual may deduct from his tax otherwise payable for a taxation year under this Part 20 % of an amount of $5 900, plus 20 % of the aggregate of the following amounts:

(*a*) $5 900 for a person who is his spouse if he supports that person for that year;

(*b*) $2 600 for a person";

(2) by replacing paragraphs *c* and *d* by the following paragraphs:

"(*c*) $2 250 for each person described in paragraph *b* in respect of whom the individual does not make any deduction under the said paragraph *b*;

"(*d*) for each person described in paragraph *b*, $1 650 in respect of each completed term, without exceeding two, which began in the year and during which the person was in full-time attendance at an educational institution contemplated in subparagraph i or iv of paragraph *a* of section 337 or in paragraph *b* or *c* of the said section where he was enrolled in a prescribed post-secondary educational program, and was not a prescribed tax-exempt person;";

(3) by replacing that part of paragraph *e* preceding subparagraph i by the following:

"(*e*) $1 300 for a person in respect of whom the individual is entitled to a deduction under paragraph *b*, if he is not entitled to the deduction contemplated in paragraph *a* and, during the year,";

(4) by replacing that part of paragraph *f* preceding subparagraph i by the following:

"(*f*) $2 250 for each person";

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

"ii. who, throughout the year, is no less than 18 years of age;";

(6) by replacing paragraphs *g* and *h* by the following paragraphs:

"(*g*) $5 900 for each person described in paragraph *f* who, during the year, is dependent on the individual by reason of mental or physical infirmity and in respect of whom the individual makes no deduction under the said paragraph *f*;

"(*h*) $1 050, if the individual is not entitled to the deduction contemplated in paragraph *a*, if he ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by him and in which no person other than the individual or a person described in paragraph *b* lives during the year and if he files with the Minister a prescribed document, or, where he is unable to file such a document, a prescribed form, on or before the day on or before which he is required to file his fiscal return with the Minister under section 1000 for the year;".

(2) Paragraphs 1 to 4 and 6 of subsection 1 apply from the taxation year 1993.

(3) Paragraph 5 of subsection 1 applies from the taxation year 1992.

49. (1) The said Act is amended by inserting, after section 752.0.1, the following section:

"**752.0.1.1** The condition set out in subparagraph iii of paragraphs *b* and *f* of section 752.0.1 in respect of a person who, during a taxation year, is dependent on an individual does not apply where the person is dependent on the individual during the year by reason of mental or physical infirmity."

(2) This section applies from the taxation year 1992. It also applies to each of the taxation years 1988 to 1991 of an individual provided he applies therefor in writing to the Minister of Revenue on or before the date on or before which he is required to file his fiscal return under section 1000 of the Taxation Act for his taxation year ending after 31 December (*insert here the year of assent to this Act*) or would be so required if tax were payable by him for that year under Part I of the said Act, in which case, notwithstanding section 1010 of the said Act and for the sole purpose of giving effect to the application, such assessments of tax, interest and penalties as are necessary shall be made by the Minister, and the second and third paragraphs of section 1060.1 and section 1066.2 of the said Act apply to those assessments, with such modifications as the circumstances require.

50. (1) The heading of Chapter I.0.3 of Title I of Book V of Part I of the said Act is replaced by the following heading:

"TAX CREDITS FOR MEDICAL EXPENSES OR CARE AND FOR MENTALLY OR PHYSICALLY IMPAIRED PERSONS".

(2) This section applies from the taxation year 1989.

51. (1) The said Act is amended by inserting, after section 752.0.13.1, the following section:

"**752.0.13.1.1** An individual who moves from a former residence situated in Québec at which he ordinarily lived to a new residence, at which he ordinarily lives, situated in Québec not more than 80 kilometres from a health establishment situated in Québec so that a particular person referred to in section 752.0.13.2 may obtain, at that establishment, medical care not available in Québec within 250 kilometres of the locality in which the former residence of the individual is situated, may deduct from his tax otherwise payable for a taxation year under this Part 20 % of the amount of the moving expenses referred to in the second paragraph paid in the year by either the individual or his legal representatives in respect of the move, if the individual files with the Minister a prescribed form whereon a physician certifies that the medical care may reasonably be expected to last at least six months and whereon that physician and the director general, or his delegate in that respect, of a health establishment which is part of the region in which the former residence of the individual is situated certify that care equivalent or virtually equivalent to that obtained is not available in Québec within 250 kilometres of the locality where the former residence of the individual is situated.

The moving expenses referred to in the first paragraph are those described in section 350 in respect of which the individual has not deducted an amount under section 752.0.13.1 in computing his tax payable for a taxation year."

(2) This section applies in respect of moving expenses paid after 14 May 1992.

52. (1) The said Act is amended by replacing sections 752.0.13.2 and 752.0.13.3 by the following sections:

"**752.0.13.2** The particular person referred to in sections 752.0.13.1 and 752.0.13.1.1 is the individual, his spouse or any person dependent upon him in respect of whom he is entitled to a deduction under section 752.0.1 in computing his tax payable under this Part for the taxation year in which the expenses were incurred.

"**752.0.13.3** For the purposes of sections 752.0.13.1 and 752.0.13.1.1,

(*a*) any amount included in computing an individual's income for a taxation year from an office or employment in respect of travel and lodging expenses referred to in section 752.0.13.1 or moving expenses referred to in section 752.0.13.1.1, and paid or furnished by an employer at any particular time, is deemed to constitute travel and lodging expenses or moving expenses, as the case may be, paid at that particular time by the individual;

(*b*) the expenses in respect of which the individual has deducted, for a taxation year, an amount under any other provision of this Part and the expenses for which the individual or his legal representatives have received a reimbursement or are entitled thereto are not considered travel and lodging expenses or moving expenses paid by the individual in a year except, in the latter case, to the extent that the amount of the expenses is required to be included in computing the individual's income under this Part."

(2) This section applies in respect of moving expenses paid after 14 May 1992.

53. Section 752.0.20 of the said Act, replaced by section 56 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**752.0.20** The following amounts shall be indexed annually so that each of these amounts to be used for a taxation year subsequent to the taxation year 1993 becomes that obtained by adding to that amount the amount obtained by multiplying, by the prescribed ratio for that year, the amount that would have been applicable for that year but for this section:

(*a*) the amounts of $1 050, $1 300, $1 650, $2 250, $2 600 and $5 900 referred to in section 752.0.1;

(*b*) the amount of $5 900 referred to in paragraph *b* of section 752."

54. (1) Section 752.0.22 of the said Act is replaced by the following section:

"**752.0.22** For the purposes of computing the tax payable under this Part by an individual, the following provisions shall be applied in the following order: sections 752.0.1, 752.0.8, 752.0.9, 752.0.14 to 752.0.16, 752.0.19, 752.0.11 to 752.0.13.1.1 and 767."

(2) This section has effect from 15 May 1992.

55. (1) Section 752.0.24 of the said Act, replaced by section 285 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is amended by replacing subparagraph i of subparagraph *a* of the first paragraph by the following subparagraph:

"i. such amount deductible under sections 752.0.8, 752.0.9 and 752.0.11 to 752.0.13.1.1 as may reasonably be considered wholly applicable to any period in the year throughout which the individual is resident in Canada, employed in Canada or carrying on business in Canada, computed as if such period were a whole taxation year, and".

(2) This section has effect from 15 May 1992.

56. (1) Section 752.0.25 of the said Act is replaced by the following section:

"**752.0.25** Where an individual is contemplated in the second paragraph of section 26, sections 752.0.1 to 752.0.13.1.1, 752.0.15, 752.0.16 and 752.0.19 do not apply for the purpose of computing his tax payable under this Part for a taxation year. However, where all or substantially all of the individual's income for the year, as determined under section 28, is included in computing his taxable income earned in Canada for the year, he may deduct, for the purpose of computing his tax payable under this Part for the year, such part of the amounts determined under the said sections as is represented by the proportion contemplated in the second paragraph of section 26."

(2) This section has effect from 15 May 1992.

57. (1) Section 771 of the said Act, amended by section 59 of chapter 1 of the statutes of 1992, is again amended

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

"(*a*) in the case of a deposit insurance corporation described in paragraph *b* of section 804, to 5.75 % of its taxable income for the year;";

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

"i. 9.35 % where the year ends before 1 July 1992 or 7.35 % where it ends after 30 June 1992 of the lesser of the amount determined in respect of the corporation for the year under paragraph *b* of section 771.0.2.1 and the amount by which its income for the year from an eligible business carried on by it exceeds its loss for the year from such a business; and";

(3) by replacing that part of paragraph *f* of subsection 1 preceding subparagraph i by the following:

"(*f*) notwithstanding paragraph *d*.2, in the case of a corporation contemplated in paragraph *b*, for a taxation year ending after 31 August 1991 and for which it is an eligible corporation within the meaning of sections 771.5 to 771.7, to the aggregate of 5.75 % of the portion of its taxable income for the year equal to the amount determined in its respect for the year under section 771.9 and the amount by which 16.25 % of the remaining portion of its taxable income for the year exceeds the aggregate of";

(4) by replacing subparagraph ii of paragraph *f* of subsection 1 by the following subparagraph:

"ii. 9.35 % where the year ends before 1 July 1992 or 7.35 % where it ends after 30 June 1992 of the amount by which the lesser of the amount determined in respect of the corporation for the year under paragraph *b* of section 771.8.1 and, where the corporation is not a corporation contemplated in paragraph *c* of section 771.8.1, the amount by which its income for the year from an eligible business carried on by it, exceeds its loss for the year from such business or, where the corporation is a corporation contemplated in the said paragraph *c*, the greater of the latter excess amount and the aggregate contemplated in subparagraph ii of paragraph *d*.2, exceeds the amount determined in its respect for the year under section 771.8.1; and".

(2) This section applies, subject to subsections 3 and 4, to taxation years ending after 30 June 1992.

(3) Where paragraph *a* of subsection 1 of section 771 of the Taxation Act, enacted by paragraph 1 of subsection 1, applies to taxation years that end after 30 June 1992 and include that date, the amount determined in respect of a corporation for the year under the said paragraph *a* is deemed, notwithstanding the said paragraph *a*, to be equal to the aggregate of

(*a*) such proportion of 115 % of the amount that, but for this subsection, would be determined in respect of the corporation for the

year under the said paragraph *a* if the reference therein to "5.75 %" were a reference to "3 %", as the number of days in the year preceding 1 September 1991 is of the number of days in the year,

(*b*) such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *a* if the reference therein to "5.75 %" were a reference to "3.75 %", as the number of days in the year following 31 August 1991 but preceding 1 July 1992 is of the number of days in the year, and

(*c*) such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *a*, as the number of days in the year following 30 June 1992 is of the number of days in the year.

(4) Where paragraphs *d*.2 and *f* of subsection 1 of section 771 of the Taxation Act, as amended by paragraphs 2 to 4 of subsection 1, apply to taxation years that end after 30 June 1992 and include that date, the following rules apply:

(*a*) the amount determined in respect of a corporation for the year under the said paragraph *d*.2 is deemed, notwithstanding the said paragraph *d*.2, to be equal to the aggregate of

i. such proportion of 115 % of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *d*.2 if the references therein to "16.25 %", "9.35 %" and "3.15 %" were references to "13 %", "7.5 %" and "2.5 %" respectively, and if no account were taken of the words "where the year ends before 1 July 1992 or 7.35 % where it ends after 30 June 1992" in subparagraph i of the said paragraph *d*.2, as the number of days in the year preceding 1 September 1991 is of the number of days in the year,

ii. such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *d*.2 if, in subparagraph i of the said paragraph *d*.2, no account were taken of the words "where the year ends before 1 July 1992 or 7.35 % where it ends after 30 June 1992", as the number of days in the year following 31 August 1991 but preceding 1 July 1992 is of the number of days in the year, and

iii. such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *d*.2 as the number of days in the year following 30 June 1992 is of the number of days in the year;

(*b*) the amount determined in respect of a corporation for the year under the said paragraph *f* is deemed, notwithstanding the said paragraph *f*, to be equal to the aggregate of

i. such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *f* if the references therein to "16.25 %", "9.35 %" and "3.15 %" were references to "13 %", "7.5 %" and "2.5 %" respectively, if the reference therein to "and the amount by which" were a reference to "and 115 % of the amount by which" and if, in subparagraph ii of the said paragraph *f*, no account were taken of the words "where the year ends before 1 July 1992 or 7.35 % where it ends after 30 June 1992", as the number of days in the year preceding 1 September 1991 is of the number of days in the year, and

ii. such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *f* if, in subparagraph ii of the said paragraph *f*, no account were taken of the words "where the year ends before 1 July 1992 or 7.35 % where it ends after 30 June 1992", as the number of days in the year following 31 August 1991 but preceding 1 July 1992 is of the number of days in the year, and

iii. such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under the said paragraph *f*, as the number of days in the year following 30 June 1992 is of the number of days in the year.

(5) Furthermore, the tax payable under Part I of the Taxation Act by a corporation for a taxation year that ends after 30 June 1992 and includes that date shall, for the purposes of subparagraph i of paragraph *a* of the first paragraph of section 1027 and paragraph *a* of the third paragraph of section 1038 of the said Act, be determined

(*a*) in respect of a payment the corporation is required to make before 1 July 1992 for the year under the said section 1027, without reference to this section;

(*b*) in respect of a payment the corporation is required to make after 30 June 1992 for the year under the said section 1027, without reference to subsections 3 and 4 of this section or, where applicable, to subsection 3 of section 59 of the Act to amend the Taxation Act and other fiscal legislation (1992, chapter 1).

58. (1) Section 771.0.2.1 of the said Act, enacted by section 61 of chapter 1 of the statutes of 1992, is amended by replacing paragraph *b* by the following paragraph:

"(*b*) the amount by which the taxable income of the corporation for the year exceeds the amount determined in respect of the corporation for the year under section 771.0.2.2; and".

(2) This section applies to taxation years ending after 30 June 1992.

59. (1) The said Act is amended by inserting, after section 771.0.2.1, the following section:

"**771.0.2.2** The amount which, for the purposes of paragraph *b* of section 771.0.2.1 or 771.8.1, as the case may be, must be determined in respect of a corporation for a taxation year under this section is the amount determined in respect of the corporation for the year by the formula

$$\frac{100}{16.25} \times \frac{A}{B}.$$

For the purposes of the formula set forth in the first paragraph,

(*a*) A is the amount determined for the year in respect of the corporation under the regulations made pursuant to section 772;

(*b*) B is, in the case of a corporation contemplated in the second paragraph of section 27, the proportion referred to in that second paragraph for the year in respect of the corporation or, in every other case, 1."

(2) This section applies, subject to subsection 3, to taxation years ending after 30 June 1992.

(3) Where section 771.0.2.2 of the Taxation Act, enacted by subsection 1, applies to taxation years that end after 30 June 1992 and include 31 August 1991, the amount determined in respect of a corporation for the year under that section is deemed, notwithstanding that section, to be equal to the aggregate of

(*a*) such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under that section if the reference in the formula set forth in the first paragraph of that section to "16.25" were a reference to "13", as the number of days in the year preceding 1 September 1991 is of the number of days in the year, and

(*b*) such proportion of the amount that, but for this subsection, would be determined in respect of the corporation for the year under

that section as the number of days in the year following 31 August 1991 is of the number of days in the year.

60. (1) Section 771.8.1 of the said Act, enacted by section 72 of chapter 1 of the statutes of 1992, is amended by replacing paragraph *b* by the following paragraph:

"(*b*) the amount by which the taxable income of the corporation for the year exceeds the amount determined in respect of the corporation for the year under section 771.0.2.2;".

(2) This section applies to taxation years ending after 30 June 1992.

61. Section 772.1 of the said Act, amended by section 289 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again amended by replacing subparagraph *b* of the first paragraph by the following subparagraph:

"(*b*) the amount by which the aggregate of his income for the year and the amount included pursuant to section 737.8 in computing his taxable income for the year or, where his taxable income is computed in the manner prescribed in subparagraph *a* of the second paragraph of section 23, the amount by which his income for any period in the year referred to in the said subparagraph *a* exceeds the aggregate of all amounts each of which is deductible by the individual under any of sections 725, 725.2 to 725.6, 737.16 and 737.21 or deducted under any of sections 726.7 to 726.9, 726.20.2 and 729 for the year or, as the case may be, for any period in the year referred to in the said subparagraph *a*."

(2) This section applies from the taxation year 1992.

62. (1) Section 776.1.3 of the said Act is replaced by the following section:

"**776.1.3** In no case may the amount that an individual may deduct for a taxation year under sections 776.1.1 and 776.1.2 exceed $1 000."

(2) This section applies from the taxation year 1992.

63. (1) The said Act is amended by inserting, after section 776.1.5, the following:

"TITLE III.1

"TAX CREDIT IN RESPECT OF A REGISTERED GAIN-SHARING PLAN THAT IS PART OF A QUALITY APPROACH

"CHAPTER I

"INTERPRETATION

"**776.1.5.1** In this title,

"eligible beneficiary", for a taxation year, under a registered gain-sharing plan that is part of a quality approach of a corporation means an individual who, as an employee of the corporation, is entitled to receive in the year an amount under the plan, who, in the performance of his duties as such within the corporation for the year in respect of which he is entitled to receive the amount, usually reports for work at an establishment of the corporation situated in Québec and who is not an excluded beneficiary described in section 776.1.5.2 in respect of the plan;

"qualified corporation" in respect of a registered gain-sharing plan that is part of a quality approach means a corporation whose assets and net shareholders' equity as shown in its books and financial statements submitted to the shareholders either for its taxation year preceding that which includes the date on which a registration number was assigned to the plan by the Minister in accordance with section 776.1.5.3 or, where that date is included in the first fiscal period of the corporation, at the beginning of its first fiscal period, were less than $25 000 000 and equal to or less than $10 000 000, respectively;

"registered gain-sharing plan that is part of a quality approach" of a corporation means a gain-sharing plan that is part of a quality approach of the corporation that is registered by the Minister in accordance with the first paragraph of section 776.1.5.3;

"unused portion" of a deduction under section 776.1.5.4 in respect of a corporation for a taxation year means the amount by which an amount equal to 15 % of the amount determined under the second paragraph of the said section for the year in respect of the corporation exceeds the amount of the tax payable by the corporation for the year under this Part, computed before any deduction under this title and sections 772 except to the extent prescribed, 1183 and 1184.

For the purposes of the definition of "qualified corporation" set forth in the first paragraph, the following rules apply:

(*a*) the said definition, where the corporation referred to therein is a cooperative, shall read without reference to "net shareholders' " and as if the reference therein to "submitted to the shareholders" were a reference to "submitted to the members";

(*b*) sections 1029.8.27 to 1029.8.30 apply for the purposes of the said definition, with such modifications as the circumstances require.

"**776.1.5.2** For the purposes of the definition of "eligible beneficiary" set forth in the first paragraph of section 776.1.5.1, an excluded beneficiary in respect of a registered gain-sharing plan that is part of a quality approach of a corporation means an individual who, on the date on which a registration number is assigned to the plan by the Minister in accordance with section 776.1.5.3, is

(*a*) a specified shareholder of the corporation or would be a specified shareholder of the corporation if, for the purposes of sections 21.17 and 21.18, the following rules applied:

i. the references in those sections to "not less than 10 %" and to "to not less than 10 %" were references to "more than 5 %" and "to more than 5 %", respectively; and

ii. except for the purposes of paragraph *a* of section 21.18, an individual or a partnership is deemed to own such proportion of all the shares of the capital stock of the corporation that are owned on that date by a cooperative of which the individual or the partnership, as the case may be, is a member as the number of votes held on that date by the individual or the partnership, as the case may be, at a meeting of the members of the cooperative is of the number of votes held on that date by all members of the cooperative at a meeting of the members of the cooperative; or

(*b*) where the corporation is a cooperative, a member having, directly or indirectly, more than 5 % of the votes at a meeting of the members of the cooperative.

"CHAPTER II

"REGISTERED GAIN-SHARING PLAN THAT IS PART OF A QUALITY APPROACH

"**776.1.5.3** The Minister shall, where a corporation applies therefor in prescribed form containing the prescribed information after 31 December 1992 and before 1 January 1996, register any gain-sharing plan that is part of a quality approach in respect of which the Minister of Industry, Trade and Technology has issued a certificate, by assigning, upon receipt of the prescribed form together

with an amount of $200, a copy of the document describing the plan and a copy of the certificate, a registration number to the plan.

The Minister shall notify the corporation having filed the prescribed form referred to in the first paragraph in respect of a registered gain-sharing plan that is part of a quality approach of the registration number he assigned to the plan and of the date on which the number was assigned.

"CHAPTER III

"DEDUCTIONS

"**776.1.5.4** A corporation may deduct in computing its tax otherwise payable for a taxation year under this Part, an amount not exceeding 15 % of the amount determined in respect of the corporation for the year under the second paragraph.

The amount referred to in the first paragraph in respect of a corporation for a taxation year is the aggregate of all amounts each of which, on the one hand, is an amount relating to an amount paid in the year by the corporation to a particular eligible beneficiary for the year under a registered gain-sharing plan that is part of a quality approach, referred to in this paragraph as the "particular plan", in respect of which the corporation is a qualified corporation and, on the other hand, is equal to the least of

(*a*) $3 000,

(*b*) the aggregate of all amounts each of which is an amount paid in the year by the corporation to the particular eligible beneficiary under the particular plan, and

(*c*) the amount by which $6 000 exceeds the aggregate of all amounts each of which is an amount determined under this paragraph in respect of an amount paid by the corporation in a preceding taxation year to the particular eligible beneficiary under the particular plan.

For the purposes of the second paragraph, an amount paid by a corporation to an eligible beneficiary under a registered gain-sharing plan that is part of a quality approach of the corporation is deemed not to have been paid under the plan if it was paid to the eligible beneficiary after the earlier of

(*a*) the last day of the fifth taxation year of the corporation following that which includes the date on which a registration number was assigned to the plan by the Minister in accordance with section 776.1.5.3, and

(*b*) the earlier of the day on which the certificate issued by the Minister of Industry, Trade and Technology in respect of the plan is revoked and, where applicable, any earlier day on which such revocation is effective.

"**776.1.5.5** Subject to section 776.1.5.6, a corporation may also deduct from its tax otherwise payable for a taxation year under this Part any unused portion of a deduction under section 776.1.5.4 in respect of the corporation for the five preceding taxation years.

"**776.1.5.6** For the purposes of section 776.1.5.5, the following rules apply:

(*a*) no amount may be deducted by a corporation under the said section 776.1.5.5 in computing its tax payable for a particular taxation year under this Part in respect of the unused portion of a deduction under section 776.1.5.4 in respect of the corporation for a taxation year, before the unused portions of deductions under the said section 776.1.5.4 in respect of the corporation for the taxation years preceding the year in respect of the corporation that the individual may deduct for the particular year are deducted;

(*b*) the unused portion of a deduction under section 776.1.5.4 in respect of a corporation for a taxation year may be deducted under the said section 776.1.5.5 in computing the tax payable under this Part by the corporation for a particular taxation year only to the extent that such unused portion exceeds the aggregate of all amounts deducted, in respect of the unused portion of the deduction, in computing the tax payable under this Part by the corporation for the taxation years preceding the particular year;

(*c*) an amount may be deducted under the said section 776.1.5.5 by a corporation in computing its tax payable under this Part for a particular taxation year ending after the time that a person acquires control of the corporation, in respect of the unused portion of a deduction under section 776.1.5.4 in respect of the corporation for a taxation year ending before that time, only to the extent that the unused portion of the deduction may reasonably be considered to relate to a business of the corporation that was carried on by the corporation throughout the particular year for profit or with a reasonable expectation of profit."

(2) This section applies from the taxation year 1993.

64. (1) Section 776.33 of the said Act, amended by section 75 of chapter 1 of the statutes of 1992, is again amended by replacing paragraphs *a* to *c* by the following paragraphs:

"(*a*) $785 in respect of the individual contemplated therein;

"(*b*) $525 in respect of the individual's spouse during the year;

"(*c*) $240 in respect of not more than one dependent person of the individual during the year if, throughout the year, the individual has no spouse and ordinarily lives in a self-contained domestic establishment in which no person, other than himself or his dependent person, lives."

(2) This section applies from the taxation year 1993.

65. (1) Section 776.34 of the said Act, amended by section 76 of chapter 1 of the statutes of 1992, is again amended by replacing paragraph *b* by the following paragraph:

"(*b*) the amount by which the excess amount of the income for the year of the dependent person of the individual during the year contemplated in the first paragraph of section 776.32, over any amount received by the person in the year as social assistance payment based on an examination of means, needs or income, exceeds $5 900; and".

(2) This section applies from the taxation year 1993.

66. (1) Section 776.35 of the said Act, amended by section 77 of chapter 1 of the statutes of 1992, is again amended by replacing paragraphs *a* to *c* by the following paragraphs:

"(*a*) $7 860 where the individual referred to in section 776.32 has a spouse during the year;

"(*b*) $6 680 where, throughout the year, the individual has no spouse and ordinarily lives in a self-contained domestic establishment in which no person, other than himself or his dependent person, lives; or

"(*c*) $5 585 in other cases."

(2) This section applies from the taxation year 1993.

67. Section 776.41 of the said Act, amended by section 78 of chapter 1 of the statutes of 1992, is again amended by replacing the first paragraph by the following paragraph:

"**776.41** The following amounts shall be indexed annually so that each of these amounts to be used for a taxation year subsequent to the taxation year 1993 becomes that obtained by adding to that amount the amount obtained by multiplying by the same ratio as that

prescribed for the purposes of section 752.0.20 for that year the amount that would have been applicable for that year but for this section:

(*a*) the amounts of $785, $525 and $240 mentioned in section 776.33;

(*b*) the amount of $5 900 mentioned in section 776.34;

(*c*) the amounts of $7 860, $6 680 and $5 585 mentioned in section 776.35."

68. (1) Section 776.50 of the said Act is amended by replacing paragraph *b* by the following paragraph:

"(*b*) "film property" means a property described in subparagraph *n* or *r* of the first paragraph of class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1) or a prescribed property."

(2) This section has effect from 13 May 1988.

69. (1) Section 852 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**852.** For the purposes of this title, a profit sharing plan is an arrangement, whatever be its form, under which an employer makes to a trustee payments computed by reference to his profits from his business or from his business and the profits from a corporation with which he does not deal at arm's length, in favour of his employees or those of that corporation, even if the employees do not contribute to it."

(2) This section applies from the taxation year 1993.

70. (1) The said Act is amended by inserting, after section 944.4, the following section:

"**944.5** Notwithstanding section 944, in no case may a plan be revoked following a payment made to a beneficiary under the plan if the following conditions are met:

(*a*) the payment is made after 31 December 1991 in a taxation year;

(*b*) the beneficiary was such on 31 December 1991;

(*c*) the beneficiary uses the whole payment to buy, in that year, new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) which were in force immediately before the striking out, by section 28 of the Act to amend the Retail Sales Tax Act and other fiscal legislation (1990, chapter 60), of the said subparagraph *a*, for a residential dwelling-house, that is delivered to him not later than the sixtieth day after the end of the year and used by him for his use in Canada."

(2) This section applies from the taxation year 1992.

71. (1) Section 946 of the said Act, replaced by section 85 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**946.** Where the registration of a plan is revoked after 19 April 1983, the beneficiary is deemed to have received at that time out of or under a registered home ownership savings plan an amount equal to the fair market value of the property of the plan and section 955 applies to the amount notwithstanding paragraphs *a* to *l* of the said section."

(2) This section applies from the taxation year 1992.

72. (1) Section 955 of the said Act, amended by section 86 of chapter 1 of the statutes of 1992, is again amended by adding, after paragraph *j*, the following paragraphs:

"(*k*) if he is a beneficiary under the plan on 31 December 1991, is a payment made to him after that date in a taxation year and used by him in that year in relation with the acquisition, for his use in Canada, of new furniture which is furniture within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) which were in force immediately before the striking out, by section 28 of the Act to amend the Retail Sales Tax Act and other fiscal legislation (1990, chapter 60), of the said subparagraph *a*, for a residential dwelling-house, that is delivered to him before the sixtieth day after the end of the year and the acquisition of which he proves by attaching to his fiscal return for the year a copy of the invoice;

"(*l*) if the spouse of a beneficiary receives a single payment after 31 December 1991, in a taxation year, as a beneficiary under section 960, is a payment used by the spouse in that year in relation with the acquisition, for his use in Canada, of new furniture which is furniture

within the meaning of the regulations under subparagraph *a* of the first paragraph of section 31 of the Retail Sales Tax Act (R.S.Q., chapter I-1) which were in force immediately before the striking out, by section 28 of the Act to amend the Retail Sales Tax Act and other fiscal legislation (1990, chapter 60), of the said subparagraph *a*, for a residential dwelling-house, that is delivered to him before the sixtieth day after the end of the year and the acquisition of which he proves by attaching to his fiscal return for the year a copy of the invoice."

(2) This section applies from the taxation year 1992.

73. (1) Section 965.1 of the said Act, amended by section 87 of chapter 1 of the statutes of 1992, is again amended by replacing paragraph *j* by the following paragraph:

"(*j*) "total income" in respect of an individual for a year means the amount by which his income for the year that would be determined under section 28 but for paragraph *k*.1 of section 311, section 311.1 and section 317 where it refers to a supplement or a spouse's allowance received under the Old Age Security Act (Statutes of Canada) or to a payment similar to such a supplement or spouse's allowance made under a provincial law, exceeds the amount he deducts for the year in computing his taxable income under Titles VI.5 and VI.5.1 of Book IV;".

(2) This section applies from the taxation year 1992.

74. (1) Section 965.6 of the said Act, amended by section 92 of chapter 1 of the statutes of 1992, is again amended by replacing paragraph *b*.1 by the following paragraph:

"(*b*.1) 125 % in the case of a qualifying share of a corporation described in section 965.11.7.1 acquired by the purchaser and issued before 15 May 1992 as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after 11 November 1986, and 150 % in the case of such a share issued after 14 May 1992;".

(2) This section has effect from 15 May 1992.

75. (1) Section 965.6.0.2.1 of the said Act, amended by section 94 of chapter 1 of the statutes of 1992, is again amended by replacing paragraph *a* by the following paragraph:

"(*a*) 125 % in the case of a valid share issued before 15 May 1992 by a corporation described in section 965.11.7.1, and 150 % in the case of such a share issued after 14 May 1992;".

(2) This section has effect from 15 May 1992.

76. (1) Section 965.6.0.3 of the said Act, amended by section 95 of chapter 1 of the statutes of 1992, is again amended by replacing subparagraphs i and ii of paragraph *b* by the following subparagraphs:

"i. in respect of an investment fund that has agreed to meet the requirements set out in section 965.6.23 in respect of the public security issue as part of which the qualifying security was issued, by the ratio between, on the one hand, the adjusted cost of the aggregate of all qualifying shares or all qualifying non-guaranteed convertible securities purchased in that year by the investment fund with the proceeds of the public issue of securities that are valid qualifying securities in respect of the year or, in the case of qualifying shares, acquired in the year by the investment fund, as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the year by the investment fund with the proceeds of the issue, and, on the other hand, the proceeds of the issue;

"ii. in respect of an investment fund that has agreed to meet the requirements set out in section 965.6.23.1 in respect of the public security issue as part of which the qualifying security was issued, by the ratio between, on the one hand, the aggregate of the adjusted cost of the aggregate of all qualifying shares or all qualifying non-guaranteed convertible securities that are the subject of the undertaking given by the investment fund in respect of the public security issue in accordance with paragraph *a* of the said section and that may be acquired by it for an amount equal to the particular amount referred to in paragraph *b* of the said section in respect of the year, and the adjusted cost of the aggregate of qualifying shares or qualifying non-guaranteed convertible securities not the subject of the undertaking under section 965.6.0.4 purchased by the investment fund in that year with that portion of the proceeds of the public issue of securities that are valid qualifying securities in respect of that year in excess of the particular amount or, in the case of qualifying shares, acquired by it in that year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund in that year with such portion of the proceeds of the issue and, on the other hand, the proceeds of the public issue of securities that are valid qualifying securities in respect of that year."

(2) This section applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992. Furthermore, subparagraph ii of paragraph *b* of section 965.6.0.3 of the Taxation Act, replaced by this section, shall, from 3 May 1991, read as follows:

"ii. in respect of an investment fund that has agreed to meet the requirements set out in section 965.6.23.1 in respect of the public security issue as part of which the qualifying security was issued, by the ratio between, on the one hand, the aggregate of the adjusted cost of the aggregate of all qualifying shares or all qualifying non-guaranteed convertible securities that are the subject of the undertaking given by the investment fund in respect of the public security issue in accordance with paragraph *a* of the said section and that may be acquired by it for an amount equal to the particular amount referred to in paragraph *b* of the said section in respect of the year, and the adjusted cost of the aggregate of qualifying shares or qualifying non-guaranteed convertible securities not the subject of the undertaking under section 965.6.0.4, held by the investment fund on 31 December in that year and purchased by it in that year with that portion of the proceeds of the public issue of securities that are valid qualifying securities in respect of that year in excess of the particular amount or, in the case of qualifying shares, acquired by it in that year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund in that year with such portion of the proceeds of the issue and, on the other hand, the proceeds of the public issue of securities that are valid qualifying securities in respect of that year."

77. (1) Section 965.6.0.4 of the said Act, replaced by section 96 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**965.6.0.4** Where an investment fund has made the election provided in section 965.6.23.1 in respect of its first public security issue consisting of securities that may be included in a stock savings plan, a qualifying share or qualifying non-guaranteed convertible security described in paragraph *a* of the said section that is acquired by the investment fund in a particular year with the proceeds of the issue for the particular year or, in the case of a qualifying share, that is acquired in a particular year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the particular year by the investment fund with the proceeds of the issue, shall, in respect of the particular year, be considered, for the purposes of subparagraph ii of paragraph *b* of section 965.6.0.3 and paragraph *b* of section 965.6.23.1, to be a qualifying share or a qualifying non-guaranteed convertible security,

as the case may be, that is the subject of the undertaking given by the investment fund in accordance with the said paragraph *a*, unless the investment fund designates the share or the security, as the case may be, as not being the subject of the undertaking, and, for that purpose, such a designation cannot be made by the investment fund in respect of a qualifying share or a qualifying non-guaranteed convertible security, as the case may be, except where that qualifying share or that qualifying non-guaranteed convertible security, as the case may be, the other qualifying shares or qualifying non-guaranteed convertible securities, as the case may be, so designated by the investment fund for the particular year and the qualifying shares or qualifying non-guaranteed convertible securities, as the case may be, that are not described in the said paragraph *a* and that have been acquired in the particular year by the investment fund with the proceeds of the issue or, in the case of qualifying shares, that have been acquired in the particular year by the investment fund by reason of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund with the proceeds of the issue, may all reasonably be considered to have been acquired with that portion of the proceeds of the issue in excess of the portion, that is the subject of the undertaking given by the investment fund in accordance with paragraph *a*, of the proceeds of the issue for the particular year.

The presumption provided in the first paragraph applies in respect of a qualifying share or a qualifying non-guaranteed convertible security only where the adjusted cost of the aggregate of the other qualifying shares or qualifying non-guaranteed convertible securities, as the case may be, in respect of which the presumption has applied for the particular year is lower than the particular amount referred to in paragraph *b* of section 965.6.23.1 in respect of the particular year."

(2) This section has effect from 3 May 1991.

78. (1) Section 965.6.23 of the said Act, amended by section 104 of chapter 1 of the statutes of 1992, is again amended

(1) by striking out paragraph *a*;

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

"(*b*) to acquire, on or before 31 December in the year, qualifying shares or qualifying non-guaranteed convertible securities with the proceeds, for the year, of the public security issue or, in the case of qualifying shares, as a result of the exercise of a conversion right

conferred on the holder of a convertible security purchased in the year by the investment fund with the proceeds of the issue, whose adjusted cost is not less than the adjusted cost of the aggregate of all qualifying securities issued by the fund in the year and constituting valid qualifying securities;".

(2) This section applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992.

79. (1) Section 965.6.23.1 of the said Act, amended by section 105 of chapter 1 of the statutes of 1992, is again amended

(1) by replacing that part preceding paragraph *b* by the following:

"**965.6.23.1** An investment fund that makes, in any particular year, a public security issue consisting of securities that may be included in a stock savings plan and is making, since its creation, its first such public security issue may, instead of stipulating in the final prospectus or in the application for an exemption from filing a prospectus relating to their issue that it undertakes to meet the requirements set out in section 965.6.23, elect to stipulate therein that it undertakes to meet the following requirements or may, once it has stipulated that it undertakes to meet the requirements set out in the said section 965.6.23, elect instead to undertake to meet the following requirements by sending to the Minister and to the Commission des valeurs mobilières du Québec a written notice to that effect on or before 31 December in the year in which the receipt for the final prospectus or the exemption from filing a prospectus relating to their issue was obtained:

(*a*) to use a determined percentage, which must be the same throughout any particular year during which securities are issued as part of the security issue, not lower than 50 %, of the proceeds, for the particular year, of the issue of securities not redeemed by the investment fund on or before 31 December in the particular year, to acquire, on or before 31 December in the year following the particular year, either qualifying shares that are issued by developing corporations and are common shares with full voting rights or preferred shares convertible solely into such common shares with full voting rights or qualifying non-guaranteed convertible securities, or qualifying shares that are common shares with voting rights, that are issued by growth corporations;";

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

"(*a*.1) to cause the portion, expressed as a percentage, as is represented by the ratio between the adjusted cost and the cost, determined without taking into account the borrowing costs, brokerage or custody fees or other similar costs, to the investment fund, of the aggregate of all qualifying shares and all qualifying non-guaranteed convertible securities described in paragraph *a* that the fund has undertaken to acquire in accordance with the said paragraph *a* on or before 31 December in the year following the particular year, to be equal to or greater than the determined percentage, not lower than 50 %, indicated in that respect by the investment fund, in respect of the public security issue, in the final prospectus or the application for an exemption from filing a prospectus relating to the issue or in the written notice to be sent by the investment fund to the Minister and to the Commission des valeurs mobilières du Québec, as the case may be;";

(3) by replacing paragraphs *b* and *c* by the following paragraphs:

"(*b*) to acquire, on or before 31 December in the particular year, qualifying shares or qualifying non-guaranteed convertible securities with the proceeds, for the particular year, of the public security issue or, in the case of qualifying shares, as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the particular year by the investment fund with the proceeds of the issue, that are not the subject of the undertaking under paragraph *a* and are not qualifying shares or qualifying non-guaranteed convertible securities having already been used, in respect of the particular year, for the purposes of paragraph *c*, and whose adjusted cost is not less than the amount by which the adjusted cost of the aggregate of all qualifying securities issued by the investment fund during the particular year and constituting valid qualifying securities exceeds the particular amount equal to the lesser of the proceeds of the issue of securities constituting, for the particular year, valid qualifying securities and the amount obtained by applying to the portion, that is the subject of the undertaking under paragraph *a*, of the proceeds, for the particular year, of the public security issue, the percentage determined under paragraph *a*.1 in respect of the public security issue;

"(*c*) to acquire, on or before 31 December in the year following the particular year, qualifying shares or qualifying non-guaranteed convertible securities described in paragraph *a* with the proceeds, for the particular year, of the public security issue or, in the case of qualifying shares, as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the particular year or in the year following the particular year by the investment fund with the proceeds of the issue, other than any such

qualifying shares or any such qualifying non-guaranteed convertible securities having already been used, in respect of the particular year, for the purposes of paragraph *b*, and whose adjusted cost is not less than the particular amount referred to in paragraph *b* in respect of the particular year;".

(2) Paragraph 1 of subsection 1, where it replaces that part of section 965.6.23.1 of the Taxation Act preceding paragraph *a*, applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992 and, where it replaces paragraph *a* of the said section, applies in respect of securities of an investment fund issued after 26 April 1990.

(3) Paragraph 2 of subsection 1 has effect from 3 May 1991.

(4) Paragraph 3 of subsection 1 applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992. Furthermore, paragraph *b* of section 965.6.23.1 of the Taxation Act, replaced by the said paragraph 3, shall, from 3 May 1991, read as follows:

"(*b*) to be the owner, on 31 December in the particular year, of qualifying shares or qualifying non-guaranteed convertible securities that are not the subject of the undertaking under paragraph *a*, that are acquired by the investment fund during the particular year with the proceeds, for the particular year, of the public security issue or, in the case of qualifying shares, that are acquired by the investment fund during the particular year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the particular year by the investment fund with the proceeds of the issue, other than qualifying shares or qualifying non-guaranteed convertible securities having already been used, in respect of the particular year, for the purposes of paragraph *c*, and whose adjusted cost is not less than the amount by which the adjusted cost of the aggregate of all qualifying securities issued by the investment fund during the particular year and constituting valid qualifying securities exceeds the particular amount equal to the lesser of the proceeds of the issue of securities constituting, for the particular year, valid qualifying securities and the amount obtained by applying to the portion, that is the subject of the undertaking under paragraph *a*, of the proceeds, for the particular year, of the public security issue, the percentage determined under paragraph *a*.1 in respect of the public security issue;".

80. (1) The said Act is amended by inserting, after section 965.7.1, the following section:

"**965.7.2** The condition provided in paragraph *d*.1 of section 965.7 does not apply in respect of a share distributed by means of a simplified prospectus."

(2) This section applies in respect of public share issues the receipt for the final prospectus of which was granted after 14 May 1992.

81. (1) Section 965.9.8 of the said Act is amended by replacing paragraph *b* by the following paragraph:

"(*b*) it is acquired for money consideration by an individual as first purchaser thereof, other than a dealer acting as an intermediary or as a firm underwriter;".

(2) This section applies in respect of qualifying securities acquired after 31 December 1987.

82. (1) Section 965.9.8.1 of the said Act, enacted by section 113 of chapter 1 of the statutes of 1992, is amended by replacing paragraph *c* by the following paragraph:

"(*c*) it is acquired for money consideration, before 1 January 1994, by an individual, an investment group or an investment fund as first purchaser thereof, other than a dealer acting as an intermediary or as a firm underwriter;".

(2) This section has effect from 15 May 1992.

83. (1) The said Act is amended by inserting, after section 965.9.8.2, the following section:

"**965.9.8.2.1** The condition provided in paragraph *a* of section 965.9.8.1 relating to the obtention of a favourable advance ruling from the Ministère du Revenu does not apply in respect of a non-guaranteed convertible security distributed by means of a simplified prospectus."

(2) This section applies in respect of convertible security issues the receipt for the final prospectus of which was granted after 14 May 1992.

84. (1) Section 965.19.1 of the said Act, amended by section 125 of chapter 1 of the statutes of 1992, is again amended by replacing paragraph *a* by the following paragraph:

"(*a*) the aggregate of $1 000 and, for each of the years 1991, 1992 and 1993, the lesser of $1 500 and the aggregate of, on the one hand,

the adjusted cost of the qualifying shares referred to in paragraph *c*.4 of section 965.6 that are common shares with voting rights acquired in the year by the individual and included by him in a stock savings plan not later than 31 January in the following year, and that were issued as part of a public share issue the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 2 May 1991 and, on the other hand, the portion of the adjusted cost of the qualifying securities issued by an investment fund as part of a security issue the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992, that can reasonably be attributed to the acquisition by the investment fund of qualifying shares referred to in the said paragraph *c*.4 that are common shares with voting rights purchased in the year by the individual and included by him in a stock savings plan not later than 31 January in the following year, and that constitute valid qualifying securities in respect of the year;".

(2) This section has effect from 15 May 1992.

85. (1) Section 965.33 of the said Act is amended

(1) by replacing that part preceding paragraph *a* by the following:

"**965.33** A venture capital corporation may deduct, from its tax otherwise payable for a taxation year under this Part computed without reference to this title, an amount not exceeding the sum of the unused portion of its deduction in respect of an adjusted interest in a qualified investment for the year and 20 % of the aggregate of";

(2) by replacing the semicolon at the end of paragraph *a* by a comma and the word "and";

(3) by striking out paragraph *c*.

(2) This section applies from the taxation year 1989.

86. (1) Section 965.37 of the said Act is replaced by the following section:

"**965.37** An individual, other than a trust, who is resident in Québec on 31 December of a year may deduct in computing his taxable income for that year an amount not exceeding the amount by which the adjusted cost of a qualifying security acquired by him during the year or during any of the five preceding years exceeds any amount deducted under this section, in respect of that qualifying security, for those preceding years."

(2) This section applies in respect of qualifying securities acquired after 31 December 1991.

87. (1) Section 1027 of the said Act, amended by section 159 of chapter 1 of the statutes of 1992, is again amended

(1) by replacing that part preceding subparagraph *a* of the first paragraph by the following:

"**1027.** Every corporation subject to taxation under this Part shall, subject to section 1029, pay to the Minister";

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

"However, subparagraph *a* of the first paragraph does not apply to a corporation whose aggregate taxes payable for the year under this Act, except tax payable under Part IV.1, or aggregate first basic provisional accounts within the meaning of the regulations under subparagraph i of subparagraph *a* of the first paragraph, for the year, except the first basic provisional accounts related to tax payable under Part IV.1, do not exceed $1 000."

(2) This section applies in respect of instalments to be made by a corporation after 30 June 1992.

88. (1) Section 1029.2 of the said Act, amended by section 161 of chapter 1 of the statutes of 1992, is again amended by replacing subparagraph i of paragraph *a* by the following subparagraph:

"i. such proportion of 5.75 % of the amount by which such loss exceeds the portion of the loss it deducted in computing its taxable income for each of the three preceding taxation years, as is represented by the ratio between its business carried on in Québec during the particular year and the aggregate of its business carried on in Québec and elsewhere during the latter year as established under subsection 2 of section 771; and".

(2) This section applies to taxation years ending after 30 June 1992. However, where subparagraph i of paragraph *a* of section 1029.2 of the Taxation Act, enacted by this section, applies to such taxation years that include that date, the reference therein to "5.75 %" shall read as a reference to such percentage as is represented by the aggregate of

(*a*) such proportion of 3.45 % as the number of days in the year preceding 1 September 1991 is of the number of days in the year,

(*b*) such proportion of 3.75 % as the number of days in the year following 31 August 1991 but preceding 1 July 1992 is of the number of days in the year, and

(*c*) such proportion of 5.75 % as the number of days in the year following 30 June 1992 is of the number of days in the year.

89. (1) The said Act is amended by inserting, before section 1029.7, the following section:

"**1029.6.1** In this division,

"tax-exempt corporation" means a corporation which is either

(*a*) exempt from tax under Book VIII, other than an insurer referred to in paragraph *k* of section 998 that is not so exempt from tax on its total taxable income for the year by reason of section 999.0.1; or

(*b*) a corporation which would be exempt from tax under section 985 but for section 192 or for the exception provided in the second paragraph of the said section 985;

"tax-exempt taxpayer" means a tax-exempt corporation or a trust one of the capital or income beneficiaries of which is a tax-exempt corporation or a person exempt from tax by virtue of Book VIII of this Part."

(2) This section applies in respect of wages or remuneration paid after 7 July 1992.

90. (1) Section 1029.7 of the said Act, amended by section 162 of chapter 1 of the statutes of 1992, is again amended by replacing the first and second paragraphs by the following paragraphs:

"**1029.7** A taxpayer, other than a tax-exempt taxpayer, who carries on a business in Canada and undertakes or causes to be undertaken, on his behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, is deemed to have paid to the Minister, for the taxation year during which the research and development were undertaken, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 20 % of the wages he has paid in respect of the research and development to his employees of an establishment situated in Québec and of the portion of the remuneration that he has paid in respect of the research and development to a person who has undertaken all or part of the

research and development that may be attributed to the wages of the employees of an establishment of that person situated in Québec or would be if he had such employees.

Furthermore, for the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Parts IV and IV.1 on the date on or before which each payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment."

(2) This section, where it replaces the first paragraph of section 1029.7 of the Taxation Act, applies in respect of wages or remuneration paid after 7 July 1992 and, where it replaces the second paragraph of that section, applies in respect of instalments to be made by a corporation after 30 June 1992.

91. (1) Section 1029.8 of the said Act, amended by section 163 of chapter 1 of the statutes of 1992, is again amended by replacing the first and second paragraphs by the following paragraphs:

"**1029.8** Where a partnership carries on a business in Canada and undertakes or causes to be undertaken, on its behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the latter during which the research and development were undertaken and who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in which the fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 20 % of the wages the partnership has paid in respect of the research and development to its employees of an establishment situated in Québec and of the portion of the remuneration that the partnership has paid in respect of the research and development to a person who has undertaken all or part of the research and development, that may be attributed to the wages paid to the employees of an establishment of that person situated in Québec or would be if he had such employees.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under

section 1025, 1026, 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Parts IV and IV.1, the amount determined for the year in his respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment."

(2) This section, where it replaces the first paragraph of section 1029.8 of the Taxation Act, applies in respect of wages or remuneration paid after 7 July 1992 and, where it replaces the second paragraph of that section, applies in respect of instalments to be made by a corporation after 30 June 1992.

92. (1) Section 1029.8.0.2 of the said Act is amended

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

"**1029.8.0.2** Where a partnership carries on a business in Canada and undertakes or causes to be undertaken, on its behalf in Québec, scientific research and experimental development within the meaning of the regulations made pursuant to section 222, every corporation that is a member of the partnership at the end of a fiscal period of the latter ending after 31 December 1987 during which the research and development were undertaken and that is not a tax-exempt corporation but is a specified member or a limited partner, within the meaning of section 613.6, of the partnership during the said fiscal period, is deemed to have paid to the Minister for its taxation year in which the fiscal period ends, as partial payment of its tax payable for that year pursuant to this Part, its portion of an amount equal to 20 % of the wages the partnership has paid in respect of the research and development to its employees of an establishment situated in Québec and of the portion of the remuneration that the partnership has paid in respect of the research and development to a person who has undertaken all or part of the research and development, that may be attributed to the wages paid to the employees of an establishment of that person situated in Québec or would be if he had such employees.";

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

"Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, for its taxation year in which the fiscal period of the partnership ends, the corporation is deemed to have paid to the Minister, as partial payment of the aggregate of its tax payable for the year pursuant to this Part and of its tax payable for the year pursuant to Parts IV and IV.1, the amount determined for the year in its respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the corporation is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which it is required to make such a payment."

(2) Paragraph 1 of subsection 1 applies in respect of wages or remuneration paid after 7 July 1992.

(3) Paragraph 2 of subsection 1 applies in respect of instalments to be made by a corporation after 30 June 1992.

93. (1) The heading of Division II.1 of Chapter III.1 of Title III of Book IX of Part I of the said Act, replaced by section 164 of chapter 1 of the statutes of 1992, is again replaced by the following heading:

"CREDIT FOR UNIVERSITY RESEARCH AND FOR RESEARCH CARRIED ON BY A PUBLIC RESEARCH CENTRE OR A RESEARCH CONSORTIUM".

(2) This section has effect from 15 May 1992.

94. (1) Section 1029.8.1 of the said Act, amended by section 165 of chapter 1 of the statutes of 1992, is again amended

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

"(*a*.1) "eligible public research centre" means a prescribed government research centre, a prescribed specialized centre or any other prescribed body;";

(2) by inserting, after paragraph *a*.1, the following paragraph:

"(*a*.1.1) "eligible research consortium" means a body in respect of which the Minister of Industry, Trade and Technology has issued a certificate recognizing it as a research consortium for the purposes of this division, and any other prescribed body;";

(3) by replacing paragraphs *a*.2 and *b* by the following paragraphs:

"(*a*.2) "eligible research contract" means a contract entered into after 2 May 1991 and before 1 January 1994 between a taxpayer or partnership carrying on a business in Canada or a prescribed linkage agency acting for the benefit of such a taxpayer or partnership in accordance with an agreement entered into between the taxpayer or partnership, as the case may be, and the linkage agency, and an eligible public research centre, or after 14 May 1992 and before 1 January 1994 between such a taxpayer, partnership or agency and an eligible research consortium under which the eligible public research centre or the eligible research consortium, as the case may be, binds itself to undertake directly, in Québec, before 1 January 1996, within the scope of its activities, scientific research and experimental development related to a business of the taxpayer or partnership, as the case may be, where the latter is entitled to exploit the results thereof;";

"(*b*) "university research contract" means a contract entered into after 30 April 1987 and before 1 January 1994 between a taxpayer or partnership carrying on a business in Canada or a prescribed linkage agency acting for the benefit of such a taxpayer or partnership in accordance with an agreement entered into between the taxpayer or partnership, as the case may be, and the linkage agency, and an eligible university entity under which the eligible university entity binds itself to undertake directly, in Québec, before 1 January 1996, scientific research and experimental development related to a business of the taxpayer or partnership or of the other partnership or the taxpayer contemplated in the seventh paragraph of section 1029.8.7.2 with which the partnership is in relation, where the latter is entitled to exploit the results thereof;";

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

"(*c*) "controlled corporation" means a corporation referred to in section 1029.8.5.3;";

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

"(*d*) "tax-exempt corporation" means a corporation which is

i. exempt from tax under Book VIII, other than an insurer referred to in paragraph *k* of section 998 that is not so exempt from tax on its total taxable income by reason of section 999.0.1;

ii. a corporation which would be exempt from tax under section 985 but for section 192 or for the exception provided in the second paragraph of the said section 985; or

iii. a controlled corporation or a corporation related to a controlled corporation;".

(2) Paragraph 1 of subsection 1 applies in respect of expenditures made in respect of scientific research and experimental development after 14 May 1992 and before 1 January 1996 under an eligible research contract entered into after 14 May 1992 and before 1 January 1994.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 15 May 1992.

(4) Subject to subsection 5, paragraph 4 of subsection 1 applies in respect of expenditures made in respect of scientific research and experimental development relating to a university research contract or to an eligible research contract after 3 October 1991 as part of a scientific research and experimental development project other than such an expenditure that is either

(*a*) made as part of such a project out of an amount paid or to be paid on or before 31 December 1993 for the acquisition of a research and development share,

i. following a distribution in accordance with a final prospectus for which the receipt was granted before 4 October 1991 or with an exemption from filing a prospectus granted before that date;

ii. following a distribution in accordance with a final prospectus for which the receipt was granted after 3 October 1991 but on or before 31 December 1991, if the receipt for the preliminary prospectus was granted before 4 October 1991 and if the funds collected through that distribution did not exceed the amount provided for in that respect in the preliminary prospectus; or

iii. following a distribution under an exemption from filing a prospectus, if the application for an exemption from filing a prospectus was filed before 4 October 1991 and the exemption from filing a prospectus was granted after 3 October 1991 but on or before 31 December 1991, and if the funds collected through that distribution did not exceed the amount provided for in that respect in the application for an exemption from filing a prospectus; or

(*b*) where paragraph *a* does not apply, related to such a contract in respect of which an application for an advance ruling was made to

the Ministère du Revenu before 4 October 1991, if the amount of the expenditure does not exceed the amount provided for in that respect in the application for an advance ruling and if the contract is entered into on or before 31 December 1991.

(5) Where paragraph *c* of section 1029.8.1 of the Taxation Act, enacted by paragraph 4 of subsection 1, applies in respect of the amount of a qualified expenditure paid before 8 July 1992 under a university research contract or an eligible research contract or in respect of a qualified expenditure made before that date, under an agreement entered into as part of a pre-competitive research project, a catalyst project or an environmental technological innovation project, the said paragraph *c* shall read as follows:

"(*c*) "controlled corporation" means a corporation referred to in section 1029.8.5.3 or a corporation controlled on any date in a taxation year, directly or indirectly in any manner whatever, by any of the following persons:

i. one or several persons exempt from tax under Book VIII;

ii. Her Majesty in right of Canada or a province;

iii. a corporation mentioned in section 985;

iv. a combination of the persons referred to in subparagraphs i to iii;".

(6) Paragraph 5 of subsection 1 applies in respect of the amount of a qualified expenditure paid after 7 July 1992 under a university research contract or an eligible research contract or in respect of a qualified expenditure made after that date, under an agreement entered into as part of a pre-competitive research project, a catalyst project or an environmental technological innovation project.

95. (1) Section 1029.8.2 of the said Act, amended by section 166 of chapter 1 of the statutes of 1992, is again amended by replacing the part preceding paragraph *a* by the following:

"**1029.8.2** For the purposes of paragraphs *a*.2 and *b* of section 1029.8.1, where a research contract was entered into before 1 May 1987 with an entity which, after 30 April 1987, is an eligible university entity, before 2 May 1991 with an entity which, after 1 May 1991, is an eligible public research centre or before 15 May 1992 with an entity which, after 14 May 1992, is an eligible research consortium, where expenditures on scientific research and experimental development were to be made under the research contract and where, subsequently

to that research contract, another research contract which, but for this section, would be a university research contract or an eligible research contract, as the case may be, is entered into, that other research contract is deemed, if the Minister so decides, not to be a university research contract or an eligible research contract, as the case may be, if it may reasonably be considered to relate to expenditures on scientific research and experimental development covered by the earlier research contract entered into, as the case may be, before 1 May 1987 by an entity which, after 30 April 1987, is an eligible university entity, before 2 May 1991 by an entity which, after 1 May 1991, is an eligible public research centre or before 15 May 1992 by an entity which, after 14 May 1992, is an eligible research consortium, and if the other research contract is entered into with".

(2) This section has effect from 15 May 1992.

96. (1) The said Act is amended by inserting, after section 1029.8.5.2, the following section:

"**1029.8.5.3** A corporation to which paragraph *c* of section 1029.8.1 refers is a corporation which, in the 24 months preceding the date on which a university research contract or an eligible research contract is entered into, is controlled, directly or indirectly in any manner whatever, by

(*a*) an eligible university entity;

(*b*) an eligible public research centre;

(*c*) an eligible research consortium;

(*d*) a trust one of the capital or income beneficiaries of which is an eligible university entity, an eligible public research centre or an eligible research consortium;

(*e*) a corporation carrying on a personal services business."

(2) Subject to subsection 3, this section applies in respect of expenditures made in respect of scientific research and experimental development relating to a university research contract or to an eligible research contract after 3 October 1991 as part of a scientific research and experimental development project other than such an expenditure that is either

(*a*) made as part of such a project out of an amount paid or to be paid on or before 31 December 1993 for the acquisition of a research and development share,

i. following a distribution in accordance with a final prospectus for which the receipt was granted before 4 October 1991 or with an exemption from filing a prospectus granted before that date;

ii. following a distribution in accordance with a final prospectus for which the receipt was granted after 3 October 1991 but on or before 31 December 1991, if the receipt for the preliminary prospectus was granted before 4 October 1991 and if the funds collected through that distribution did not exceed the amount provided for in that respect in the preliminary prospectus; or

iii. following a distribution under an exemption from filing a prospectus, if the application for an exemption from filing a prospectus was filed before 4 October 1991 and the exemption from filing a prospectus was granted after 3 October 1991 but on or before 31 December 1991, and if the funds collected through that distribution did not exceed the amount provided for in that respect in the application for an exemption from filing a prospectus; or

(*b*) where paragraph *a* does not apply, related to such a contract in respect of which an application for an advance ruling was made to the Ministère du Revenu before 4 October 1991, if the amount of the expenditure does not exceed the amount provided for in that respect in the application for an advance ruling and if the contract is entered into on or before 31 December 1991.

(3) Where section 1029.8.5.3 of the Taxation Act, enacted by subsection 1, applies before 15 May 1992, it shall read without reference to its paragraph *c* and the words ", an eligible research consortium" in paragraph *d*.

97. (1) Section 1029.8.6 of the said Act, amended by section 167 of chapter 1 of the statutes of 1992, is replaced by the following section:

"**1029.8.6** A taxpayer, other than a tax-exempt taxpayer, carrying on a business in Canada who has made a university research contract with an eligible university entity or an eligible research contract with an eligible public research centre or an eligible research consortium, or for the benefit of whom a prescribed linkage agency has made such a contract in accordance with an agreement entered into between the taxpayer and the prescribed linkage agency, is deemed to have paid to the Minister, for his taxation year during which the scientific research and experimental development related to a business of the taxpayer were undertaken by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, under the contract, as partial

payment of his tax payable for that year pursuant to this Part, an amount equal to 40 % of the total or partial amount of a qualified expenditure he has paid before 1 January 1996 to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, that may reasonably be considered to be attributable to expenditures made for scientific research and experimental development by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, in Québec under the contract during the year.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, the taxpayer is deemed to have paid to the Minister as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Parts IV and IV.1, on the date on or before which each payment is required to be made, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment.

For the purposes of the first paragraph, an amount paid by a taxpayer to an eligible university entity, an eligible public research centre or an eligible research consortium does not include an amount that constitutes all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.10 applies."

(2) This section, where it replaces the first and third paragraphs of section 1029.8.6 of the Taxation Act, applies from the taxation year 1992 and, where it replaces the second paragraph of that section, applies in respect of instalments to be made by a corporation after 30 June 1992.

98. (1) Section 1029.8.7 of the said Act, amended by section 168 of chapter 1 of the statutes of 1992, is replaced by the following section:

"**1029.8.7** Where a partnership carrying on a business in Canada has entered into a university research contract with an eligible university entity or into an eligible research contract with an eligible public research centre or an eligible research consortium, or where such a contract has been entered into by a prescribed linkage agency for the benefit of the partnership in accordance with an agreement

entered into between the partnership and the prescribed linkage agency, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the latter during which scientific research and experimental development related to a business of the partnership was carried on under the contract by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, and who is not a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for his taxation year in which the said fiscal period ends, as partial payment of his tax payable for that year pursuant to this Part, his portion of an amount equal to 40 % of the total or partial amount of a qualified expenditure the partnership has paid before 1 January 1996 to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, that may reasonably be considered to be attributable to expenditures in respect of scientific research and experimental development made in Québec by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, under the contract during the fiscal period.

Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Parts IV and IV.1, the amount determined for the year in his respect under the first paragraph either on the date on which the fiscal period ends where that date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment.

For the purposes of the first paragraph, an amount paid by a partnership to an eligible university entity, an eligible public research centre or an eligible research consortium does not include an amount that constitutes all or part of an amount that may reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.11 applies."

(2) This section, where it replaces the first and third paragraphs of section 1029.8.7 of the Taxation Act, applies from the taxation year

1992 and, where it replaces the second paragraph of that section, applies in respect of instalments to be made by a corporation after 30 June 1992.

99. (1) Section 1029.8.7.2 of the said Act, amended by section 169 of chapter 1 of the statutes of 1992, is again amended

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

"**1029.8.7.2** Where a partnership carrying on a business in Canada has entered into a university research contract with an eligible university entity, or where such a contract has been entered into by a prescribed linkage agency for the benefit of the partnership in accordance with an agreement entered into between the partnership and the prescribed linkage agency, every corporation that is a member of the partnership at the end of a fiscal period of the latter ending after 31 December 1987 during which scientific research and experimental development related to a business of the partnership was carried on by the eligible university entity and that is not a tax-exempt corporation but is a specified member or a limited partner, within the meaning of section 613.6, of that partnership during the said fiscal period, is deemed to have paid to the Minister for its taxation year in which the said fiscal period ends, as partial payment of its tax payable for that year pursuant to this Part, its portion of an amount equal to 40 % of the total or partial amount the partnership has paid before 1 January 1996 to the eligible university entity, that may reasonably be considered to be attributable to expenditures of a current nature or expenditures of a capital nature deductible under subsection 1 of section 222 or paragraph *a* of section 223 for scientific research and experimental development carried on by the eligible university entity in Québec under the university research contract during the said fiscal period.";

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

"Furthermore, for the purposes of computing the payments that a corporation referred to in the first paragraph is required to make under section 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, for its taxation year in which the fiscal period of the partnership ends, the corporation is deemed to have paid to the Minister, as partial payment of the aggregate of its tax payable for the year pursuant to this Part and of its tax payable for the year under Parts IV and IV.1, the amount determined for the year in its respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the corporation is required to make such a payment or, in other cases, on

the first date following the end of the fiscal period which is the date on or before which it is required to make such a payment."

(2) Paragraph 1 of subsection 1 applies from the taxation year 1992.

(3) Paragraph 2 of subsection 1 applies in respect of instalments to be made by a corporation after 30 June 1992.

100. (1) Section 1029.8.9 of the said Act, amended by section 171 of chapter 1 of the statutes of 1992, is again amended

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

"**1029.8.9** A taxpayer shall not be deemed to have paid to the Minister an amount or his portion of an amount referred to in section 1029.8.6, 1029.8.7 or 1029.8.7.2 related to a university research contract entered into after 18 December 1987 or an eligible research contract unless a favourable advance ruling has been given by the Ministère du Revenu regarding the university research contract or the eligible research contract, as the case may be, to which the amount or that portion of an amount, as the case may be, is related, before any amount is paid, pursuant to the contract, to an eligible university entity, an eligible public research centre or an eligible research consortium, as the case may be.";

(2) by replacing that part of the third paragraph preceding paragraph *a* by the following:

"Where an amount has been paid to an eligible university entity pursuant to a university research contract, an eligible public research centre or an eligible research consortium, as the case may be, pursuant to an eligible research contract before a favourable advance ruling is given by the Ministère du Revenu regarding the contract, the amount so paid is, for the sole purposes of the first paragraph, deemed to have been paid after a favourable advance ruling was given by the Ministère du Revenu regarding the contract, if".

(2) This section has effect from 15 May 1992.

101. (1) The said Act is amended by inserting, after section 1029.8.9.0.1, the following:

"DIVISION II.2.1

"CREDIT FOR FEES AND DUES PAID TO A RESEARCH CONSORTIUM

"§ 1.—*Interpretation*

"**1029.8.9.0.2** In this division,

"eligible fee" of a corporation, for a taxation year, relating to an eligible research consortium, means the amount obtained by multiplying the lesser of the following amounts by such proportion as the fee or dues paid by the corporation to the eligible research consortium, during the fiscal period of the latter ending in the year, to be a member thereof is of the aggregate of the fees or dues paid, during that fiscal period, by all the corporations that are members thereof:

(*a*) the amount of the expenditures made by the eligible research consortium in respect of scientific research and experimental development related to a business of the corporation carried on by the consortium in Québec, after 14 May 1992 and before 1 January 1996, in its fiscal period ending in the year; and

(*b*) the amount by which the aggregate of the fees or dues paid by all the corporations that are members of the eligible research consortium, during its fiscal period ending in the year, exceeds the portion of those fees or dues which may reasonably be considered to be used by the eligible research consortium to make expenditures, other than expenditures for scientific research and experimental development related to a business of the corporation, in that fiscal period;

"eligible research consortium" has the meaning assigned by paragraph *a*.1.1 of section 1029.8.1;

"tax-exempt corporation" has the meaning assigned by paragraph *d* of section 1029.8.1.

"§ 2.—*Credit*

"**1029.8.9.0.3** A corporation, other than a tax-exempt corporation, that carries on a business in Canada, is deemed to have paid to the Minister on the last day of a taxation year, as partial payment of its tax payable for that year pursuant to this Part, an amount equal to 40 % of the aggregate of all amounts each of which is its eligible fee for the year relating to an eligible research consortium."

(2) This section applies to taxation years ending after 14 May 1992.

102. (1) Section 1029.8.10 of the said Act is amended by replacing the second paragraph by the following paragraph:

"Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, the taxpayer is deemed to have paid to the Minister as partial payment of the aggregate of his tax payable for the year pursuant to this Part, and of his tax payable for the year pursuant to Parts IV and IV.1, on the date on or before which each payment is required to be paid, the amount which would be determined under the first paragraph if it applied only to the period covered by the payment."

(2) This section applies in respect of instalments to be made by a corporation after 30 June 1992.

103. (1) Section 1029.8.11 of the said Act is amended by replacing the second paragraph by the following paragraph:

"Furthermore, for the purposes of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025, 1026, 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, for his taxation year in which the fiscal period of the partnership ends, the taxpayer is deemed to have paid to the Minister, as partial payment of the aggregate of his tax payable for the year pursuant to this Part and of his tax payable for the year pursuant to Parts IV and IV.1, the amount determined for the year in his respect under the first paragraph, either on the date on which the fiscal period ends where the date coincides with the date on or before which the taxpayer is required to make such a payment or, in other cases, on the first date following the end of the fiscal period which is the date on or before which he is required to make such a payment."

(2) This section applies in respect of instalments to be made by a corporation after 30 June 1992.

104. (1) Section 1029.8.18 of the said Act is replaced by the following section:

"**1029.8.18** For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a

taxpayer pursuant to section 1029.7, 1029.8, 1029.8.0.2, 1029.8.6, 1029.8.7, 1029.8.7.2, 1029.8.9.0.3, 1029.8.10 or 1029.8.11, the amount of the wages or of part of the remuneration paid, of a deductible expenditure or an eligible fee, as the case may be, referred to therein, shall be reduced, as the case may be, by the amount of any contract payment, government assistance or non-government assistance attributable to the wages or to part of the remuneration paid, to the deductible expenditure or to the eligible fee, as the case may be, that the taxpayer or, where the taxpayer is a member of a partnership, the partnership of which he is a member, has received, is entitled to receive or can reasonably be expected to receive at the time of filing of his fiscal return for that taxation year."

(2) This section applies from the taxation year 1992.

105. (1) Section 1029.8.19 of the said Act is replaced by the following section:

"**1029.8.19** Where, in respect of a scientific research and experimental development project contemplated in section 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.9.0.3, 1029.8.10 or 1029.8.11, or in respect of the carrying out thereof, a person or a partnership has obtained, is entitled to obtain or can reasonably be expected to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee or the proceeds of disposition of a property which exceed the fair market value of that property or in any other form or manner, and it may reasonably be considered that the direct or indirect effect of such benefit or advantage is to compensate or indemnify a party to the project or to otherwise benefit such a party, in any manner whatsoever, for the purposes of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by the taxpayer pursuant to any of the said sections, the amount of the wages, of the part of the remuneration, of the qualified expenditure or of the eligible fee, as the case may be, shall be reduced by the amount of the benefit or advantage which the person or the partnership has obtained, is entitled to obtain or can reasonably be expected to obtain at the time the taxpayer files his fiscal return for that taxation year."

(2) This section applies from the taxation year 1992.

106. (1) The said Act is amended by inserting, after section 1029.8.19, the following sections:

"**1029.8.19.1** Notwithstanding sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11, where a taxpayer or a

partnership causes scientific research and experimental development to be undertaken by an eligible public research centre, an eligible research consortium or an eligible university entity, within the meaning of paragraph *a*.1, *a*.1.1 or *f* of section 1029.8.1, as the case may be, and the consideration payable or paid by the taxpayer or the partnership for such scientific research and experimental development does not consist in whole of currency, the taxpayer or a taxpayer who is a member of the partnership, as the case may be, is deemed not to be deemed to have paid to the Minister an amount under any of the said sections in respect of all or any part of the consideration that cannot reasonably be considered to be payable or paid in currency.

"**1029.8.19.2** Notwithstanding sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11, where, in respect of a scientific research and experimental development project contemplated in any of the said sections, all or part of the research and development is made on behalf of a taxpayer, a partnership, an eligible public research centre, an eligible research consortium or an eligible university entity, within the meaning of paragraph *a*.1, *a*.1.1 or *f* of section 1029.8.1, as the case may be, or, in respect of the carrying out of such a project, a taxpayer, a partnership, a member of such partnership, a person not dealing at arm's length with the taxpayer, the partnership or any member thereof, or any other person designated by the Minister, has obtained, is entitled to obtain or can reasonably be expected to obtain, or, upon a determination by the Minister to that effect, is deemed to have obtained or to be entitled to obtain, from an eligible public research centre, an eligible research consortium, an eligible university entity, a person not dealing at arm's length with an eligible public research centre, an eligible research consortium or an eligible university entity, or from any other person designated by the Minister, a contribution whether in the form of a payment in currency, a transfer of ownership of a property, an assignment of the use or of a right to use a property or in any other form or manner, or a property or right designated by the Minister as being a contribution, other than a property or right resulting from scientific research and experimental development undertaken by the eligible public research centre, the eligible research consortium or the eligible university entity, the taxpayer or any taxpayer who is a member of the partnership, as the case may be, is deemed not to be deemed to have paid to the Minister an amount under any of the said sections in respect of such a project.

"**1029.8.19.3** Notwithstanding section 1029.8.19.2, a taxpayer may be deemed to have paid an amount to the Minister under any of sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11 in respect of a project referred to in the said section

1029.8.19.2 if, but for the said section 1029.8.19.2, an amount would have been deemed to have been paid to the Minister under any of sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11 and if each contribution referred to in the said section 1029.8.19.2, in respect of the project or the carrying out thereof, constitutes an expenditure made by the eligible public research centre, the eligible research consortium or the eligible university entity as part of such a project.

Where the first paragraph applies to a taxpayer, the following rules apply:

(*a*) the amount which is deemed to have been paid to the Minister under section 1029.7 or 1029.8 shall be established solely on the amount of wages or the portion of the remuneration in respect of which an amount has otherwise been deemed to have been paid to the Minister under either of the said sections, after deduction of the amount of any contribution referred to in section 1029.8.19.2 in respect of the project or the carrying out thereof;

(*b*) the amount which is deemed to have been paid to the Minister under any of sections 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11 shall be established solely on that portion of the qualified expenditure in respect of which an amount has otherwise been deemed to have been paid to the Minister under any of the said sections, after deduction of the amount of any contribution referred to in section 1029.8.19.2 in respect of the project or the carrying out thereof."

(2) This section, where it enacts sections 1029.8.19.1 and 1029.8.19.2 of the Taxation Act, applies, subject to subsection 4, in respect of expenditures made in respect of scientific research and experimental development after 3 October 1991 as part of a scientific research and experimental development project, other than such an expenditure that is either

(*a*) made as part of such a project out of an amount paid or to be paid on or before 31 December 1993

i. following a distribution in accordance with a final prospectus for which the receipt was granted before 4 October 1991 or with an exemption from filing a prospectus granted before that date;

ii. following a distribution in accordance with a final prospectus for which the receipt was granted after 3 October 1991 but on or before 31 December 1991, if the receipt of the preliminary prospectus was granted before 4 October 1991 and if the funds collected through that distribution did not exceed the amount provided for in that respect in the preliminary prospectus;

iii. following a distribution under an exemption from filing a prospectus, if the application for an exemption from filing a prospectus was filed before 4 October 1991 and the exemption from filing a prospectus was granted after 3 October 1991 but on or before 31 December 1991, and if the funds collected through that distribution did not exceed the amount provided for in that respect in the application for an exemption from filing a prospectus; or

(*b*) where paragraph *a* does not apply, related to

i. a university research contract or an eligible research contract in respect of which an application for an advance ruling was made to the Ministère du Revenu before 4 October 1991, if the amount of the expenditure does not exceed the amount provided for in that respect in the application for an advance ruling and if the contract is entered into on or before 31 December 1991;

ii. a pre-competitive research project, a catalyst project or an environmental technological innovation project that was recognized as such before 4 October 1991 or the subject of an agreement referred to in section 1029.8.10 or 1029.8.11 of the Taxation Act before that date.

(3) This section, where it enacts section 1029.8.19.3 of the Taxation Act, applies, subject to subsection 4, in respect of expenditures made after 1 January 1992 for scientific research and experimental development carried on after that date.

(4) Where sections 1029.8.19.1 to 1029.8.19.3 of the Taxation Act, enacted by subsection 1, apply before 15 May 1992, they shall read without reference to an eligible research consortium and with such modifications as the circumstances require.

107. (1) Section 1029.8.20 of the said Act is replaced by the following section:

"**1029.8.20** Where a taxpayer carries on a business in Canada in a taxation year by reason of an arrangement, a transaction or an event, or of a series of arrangements, transactions or events, and it may reasonably be considered that one of the purposes of the arrangement, transaction or event or of the series of arrangements, transactions or events is to enable the taxpayer to carry on the business so as to allow him to be deemed to have paid an amount to the Minister for that taxation year, pursuant to section 1029.7, 1029.8.6, 1029.8.9.0.3 or 1029.8.10, the taxpayer is deemed, for the purposes of those sections, not to carry on the business in that year

by reason of the arrangement, transaction or event or of the series of arrangements, transactions or events unless the taxpayer is, by reason of the arrangement, transaction or event or of the series of arrangements, transactions or events, a partner other than a specified partner."

(2) This section has effect from 15 May 1992.

108. (1) The said Act is amended by inserting, after section 1029.8.21.1, the following section:

"**1029.8.21.2** For the purposes of this Part and the regulations, the amount a taxpayer is deemed to have paid to the Minister for a taxation year under any of sections 1029.7, 1029.7.1, 1029.8 to 1029.8.0.2, 1029.8.6 to 1029.8.7.2, 1029.8.9.0.3, 1029.8.10 and 1029.8.11 is deemed not to be assistance or an inducement that the taxpayer or, where he is a member of a partnership, the partnership of which he is a member has received from a government."

(2) This section has effect from 10 May 1983. However, where section 1029.8.21.2 of the Taxation Act, enacted by this section, refers

(*a*) to sections 1029.8.6 and 1029.8.7 of the said Act, it has effect from 1 May 1987;

(*b*) to sections 1029.7.1, 1029.8.0.1, 1029.8.0.2, 1029.8.6.1, 1029.8.7.1 and 1029.8.7.2 of the said Act, it has effect from the taxation year 1988;

(*c*) to sections 1029.8.10 and 1029.8.11 of the said Act, it has effect from 13 May 1988;

(*d*) to section 1029.8.9.0.3 of the said Act, it applies to taxation years ending after 14 May 1992.

109. (1) Section 1029.8.22 of the said Act, amended by section 174 of chapter 1 of the statutes of 1992, is again amended

(1) by replacing, in the definition of "qualified training activity", that part preceding paragraph *a* by the following:

" "qualified training activity" in respect of an eligible employee of a qualified corporation or qualified partnership means a course in which the eligible employee is enrolled, provided the course is given by a qualified training institution or by another entity outside Québec if, in the latter case, the course has been the subject of an authorization obtained, prior to its beginning, by the qualified corporation or the

qualified partnership, as the case may be, from a manpower vocational training commission, but does not include";

(2) by replacing subparagraph iii of paragraph *b* of the definition of "qualified training activity" by the following subparagraph:

"iii. it is taken because the qualified corporation or the qualified partnership, as the case may be, is required to comply with an Act or a regulation;";

(3) by replacing, in the definition of "qualified training expenditure", that part preceding subparagraph ii of paragraph *c* by the following:

" "qualified training expenditure" made by a qualified corporation in a taxation year or by a qualified partnership in a fiscal period, means, subject to section 1029.8.23, a cost or an expenditure, provided it is reasonable under the circumstances, incurred in the year by the qualified corporation or in the fiscal period by the qualified partnership, as the case may be, and related to a business carried on by the corporation or partnership in Québec, corresponding to

(*a*) the lesser of $10 000 and the amount by which the cost of the human resources development plan to the qualified corporation or the qualified partnership, as the case may be, exceeds the amount of any government assistance or non-government assistance in respect thereof that the qualified corporation or the qualified partnership has received, is entitled to receive or can reasonably expect to receive

i. in the case of the qualified corporation, at the time of filing its fiscal return for that taxation year;

ii. where a qualified corporation is a member of the qualified partnership, at the time of filing of the fiscal return of the corporation for its taxation year in which the fiscal period of the qualified partnership ends;

(*b*) qualified training costs of the qualified corporation or the qualified partnership, as the case may be; or

(*c*) the product obtained by multiplying the number of hours, without exceeding 180, during which an eligible employee of the qualified corporation or qualified partnership has participated, in the taxation year of the corporation or in the fiscal period of the partnership, as the case may be, and during his normal working hours, in a qualified training activity in which he was enrolled, other than a course given at a distance by a recognized educational institution, by the lesser of $30 and the amount of the wages or salary, paid in

currency and computed on an hourly basis, received by the employee in respect of any period during which he has participated, in that taxation year or fiscal period, in a qualified training activity in which he was enrolled and, for the purposes of this paragraph,

i. the number of hours during which an eligible employee has participated, in a taxation year of the qualified corporation or in a fiscal period of the qualified partnership and during his normal working hours, in a qualified training activity in which he was enrolled does not include the hours of practical application related to that activity worked by him in the taxation year or the fiscal period to produce property or provide services for the benefit of the qualified corporation or a person with whom it was not dealing at arm's length, or for the benefit of a qualified partnership or a person with whom one of its members was not dealing at arm's length, except to the extent that they may reasonably be considered to be necessary to complete the training received by the eligible employee;";

(4) by replacing subparagraphs iii and iv of paragraph *c* of the definition of "qualified training expenditure" by the following subparagraphs:

"iii. where a taxation year or a fiscal period consists of less than 52 weeks, the reference in this paragraph to "180" shall read as a reference to "the product obtained by multiplying 180 by the quotient obtained by dividing by 52 the number of weeks in the taxation year or fiscal period, as the case may be";

iv. where an eligible employee of a qualified corporation or a qualified partnership, as the case may be, has participated, in a taxation year or in a fiscal period, in a qualified training activity during more than 180 hours or more than the number of hours computed in accordance with subparagraph iii, as the case may be, the wages or salary, paid in currency and computed on an hourly basis, that he received in respect of the whole period during which he participated, in the taxation year or fiscal period, in a qualified training activity in which he was enrolled, shall be computed by dividing the wages or salary that may reasonably be considered to have been paid in currency in respect of the number of hours, computed for the purposes of this paragraph as if it read without reference to the words ", without exceeding 180," and subparagraph iii thereof, during which the eligible employee has participated, in the taxation year or the fiscal period and during his normal working hours, in a qualified training activity in which he was enrolled by the number of hours so computed for the taxation year or the fiscal period for the purposes of this paragraph as if it read without reference to the words ", without exceeding 180," and subparagraph iii thereof;";

(5) by replacing the definition of "eligible employee" by the following definition:

" "eligible employee" of a qualified corporation or a qualified partnership at any particular time in a taxation year or a fiscal period, as the case may be, means an individual who, at that time, is an employee of an establishment of the qualified corporation or qualified partnership located in Québec, whose contract of employment provides for at least 15 working hours per week, who, at any time in the taxation year or the fiscal period, is not, where he is an eligible employee of a qualified partnership, an employee who does not deal at arm's length with a member of the partnership or, where he is an eligible employee of a qualified corporation, a specified shareholder of that corporation nor, where the qualified corporation is a cooperative, a specified member of that corporation, and who, at that particular time, is not

(*a*) an employee in respect of whom it may reasonably be considered that one of the main reasons of his being in the employment of the qualified corporation or qualified partnership is to allow the qualified corporation or a qualified corporation that is a member of the qualified partnership to be deemed to have paid an amount to the Minister under section 1029.8.25 or 1029.8.25.1, as the case may be, in respect of the employee, or

(*b*) an employee in respect of whom it may reasonably be considered that the conditions of employment with the qualified corporation or the qualified partnership have been changed mainly to allow the qualified corporation or the qualified corporation that is a member of the qualified partnership to be deemed to have paid an amount to the Minister under section 1029.8.25 or 1029.8.25.1, as the case may be, in respect of the employee or to increase an amount that the qualified corporation or a qualified corporation that is a member of the qualified partnership would be deemed, but for this paragraph, to have paid to the Minister under either of the said sections in respect of the employee;";

(6) by replacing the definition of "qualified training costs" by the following definition:

" "qualified training costs" of a qualified corporation or qualified partnership means the aggregate of the following amounts:

(*a*) the aggregate of amounts each of which is the cost of a qualified training activity in which an eligible employee of the qualified corporation or the qualified partnership, as the case may be, is enrolled that is incurred by the qualified corporation or the qualified

partnership directly with an entity offering the qualified training activity or refunded by the qualified corporation or the qualified partnership to the eligible employee where the cost of such an activity has been paid by him directly to the entity offering it, to the extent that, in all cases, the cost may reasonably be attributable to training given to that eligible employee, and

(*b*) any amount, other than an amount referred to in paragraph *a*, as travel expenses of an eligible employee of the qualified corporation or the qualified partnership, in respect of a qualified training activity, other than a course given at a distance by a recognized educational institution, provided the establishment of the qualified corporation or the qualified partnership, as the case may be, where the eligible employee usually reports for work and the place where the qualified training activity is followed do not lie within the same municipality or, as the case may be, within the same metropolitan region and are at least 40 kilometres apart;";

(7) by inserting, after the definition of "qualified training costs", the following definition:

" "specified member" of a corporation that is a cooperative, in a taxation year, is a member having, directly or indirectly, at any time in the year, at least 10 % of the votes at a meeting of the members of the cooperative;";

(8) by replacing the definition of "human resources development plan" by the following definition:

" "human resources development plan" means a study prepared by a person or company registered with a manpower vocational training commission or by a recognized educational institution, the results of which suggest the action to be taken to satisfy the manpower vocational training needs of a corporation or partnership and in respect of which a manpower vocational training commission has issued a registration receipt that is not revoked;";

(9) by inserting, after the definition of "instructor", the following definition:

" "qualified partnership", in respect of a fiscal period, means a partnership which, if it were a corporation, would be a qualified corporation in respect of that fiscal period;";

(10) by replacing the definition of "registered private training company" by the following definition:

" "registered private training company" at a particular time, means a corporation, or a partnership all the members of which are corporations, that is, at that particular time, registered as a private training company with a manpower vocational training commission."

(2) Paragraphs 1 to 6, 8 and 9 of subsection 1 apply in respect of training expenditures made after 14 May 1992.

(3) Paragraph 7 of subsection 1 has effect from 27 April 1990.

(4) Paragraph 10 of subsection 1 has effect from 15 May 1992.

110. (1) Section 1029.8.23 of the said Act is amended

(1) by replacing that part of subparagraph *a* of the first paragraph preceding subparagraph i by the following:

"(*a*) an expenditure made by a qualified corporation or a qualified partnership and related to a qualified training activity, where the instructor, in respect of the activity, is";

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

"i.1 a particular employee of the qualified partnership, of a qualified corporation that is a member of the qualified partnership, or of a corporation with which such a qualified corporation does not deal at arm's length, or";

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

"ii. an employee of a corporation that carries on a personal services business, where a shareholder of the corporation is a specified shareholder thereof and

(1) a particular employee of the qualified corporation or of a corporation with which the qualified corporation does not deal at arm's length; or

(2) a particular employee of the qualified partnership, of a qualified corporation that is a member of the qualified partnership, or of a corporation with which such a qualified corporation does not deal at arm's length, or";

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

"i. by a federation, confederation, cooperative, association, group or other form of affiliation, by a member of such an entity or on behalf of such an entity or member of such an entity, by a corporation with which any such entity or member does not deal at arm's length, or by a partnership one of whose members does not deal at arm's length with such an entity or member, to an eligible employee of a member of any such entity or to an eligible employee of a qualified corporation or qualified partnership that is a member of such an entity that is itself a member of any such entity, or";

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

"(*c*) an expenditure incurred by a qualified corporation with an entity with which the qualified corporation, a specified shareholder or a specified member thereof does not deal at arm's length;";

(6) by inserting, after subparagraph *c* of the first paragraph, the following subparagraph:

"(*c*.1) an expenditure incurred by a qualified partnership with an entity with which a member of the partnership does not deal at arm's length or with which a specified shareholder or a specified member of a corporation that is a member of the partnership does not deal at arm's length;";

(7) by replacing subparagraph *d* of the first paragraph by the following subparagraph:

"(*d*) an expenditure related to a qualified training activity, where the qualified training activity is followed by an eligible employee of a qualified corporation in an establishment thereof or of a person with whom the qualified corporation does not deal at arm's length, or by an eligible employee of a qualified partnership in an establishment thereof, any of its members or a person with whom one of its members does not deal at arm's length, and the qualified training activity is offered by a registered private training company that did not obtain, prior to the beginning of the activity, an authorization in respect thereof from a manpower vocational training commission;";

(8) by replacing subparagraph *f* of the first paragraph by the following subparagraph:

"(*f*) an expenditure in respect of which an amount is or would be deemed, but for a renunciation under Chapter II of Title VI.3.3 of Book IV, to have been paid to the Minister by a qualified corporation for a taxation year under section 1029.7, 1029.8, 1029.8.0.2, 1029.8.10 or 1029.8.11.";

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

"For the purposes of subparagraph *a* of the first paragraph, the expression "particular employee" of a qualified corporation or a qualified partnership means an employee of the qualified corporation or qualified partnership, as the case may be, or a person who has ceased to work for the qualified corporation or the qualified partnership, as the case may be, within the 12 months preceding the time when the provision of the training activity referred to therein began."

(2) Paragraphs 1 to 3 and 6 to 9 of subsection 1 apply in respect of training expenditures made after 14 May 1992.

(3) Paragraphs 4 and 5 of subsection 1 have effect from 27 April 1990. However, where subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.23 of the Taxation Act, enacted by that paragraph 4, applies in respect of training expenditures made before 15 May 1992, the said subparagraph i shall read without reference to the words "or qualified partnership".

111. (1) Section 1029.8.24 of the said Act is amended

(1) by replacing paragraphs *c* and *d* by the following paragraphs:

"(*c*) where a qualified corporation or a qualified partnership has made an expenditure, at a particular time, corresponding to the cost of a study that would, but for this paragraph, be a human resources development plan, the study is deemed not to be a human resources development plan if the corporation or the partnership, as the case may be, has made an expenditure, within the 36 months preceding that particular time, corresponding to the cost of another study that is a human resources development plan and in respect of which

i. the qualified corporation is deemed to have paid an amount to the Minister under section 1029.8.25; or

ii. a qualified corporation that is a member of the qualified partnership is deemed to have paid an amount to the Minister under section 1029.8.25.1;

"(*d*) the cost, to a qualified corporation or a qualified partnership, as the case may be, of a human resources development plan that is completed for more than one person is deemed to be equal to such portion of the cost of the human resources development plan for all persons for whom it was completed as may reasonably be considered both to have been assumed by the qualified corporation or the qualified

partnership and to be attributable to the development of the human resources of the corporation or partnership;";

(2) by replacing paragraphs *g* to *i* by the following paragraphs:

"(*g*) any qualified training expenditure that is made by a qualified corporation or a qualified partnership and corresponds to qualified training costs must be reduced by the amount of the expenditure representing consideration for the disposition of property for the benefit of the qualified corporation or a person with whom the qualified corporation does not deal at arm's length, or for the benefit of the qualified partnership one of its members or a person with whom one of its members does not deal at arm's length, except to the extent that such consideration may reasonably be considered to relate to the portion of the property that was consumed, as the case may be, as part of the qualified training activity in which an eligible employee of the qualified corporation or the qualified partnership has participated;

"(*h*) a qualified training expenditure corresponding to qualified training costs shall not be considered to have been made in a taxation year or a fiscal period, as the case may be, to the extent that it may reasonably be considered to have been made in respect of a qualified training activity offered to an eligible employee after the end of the year or fiscal period or of travel expenses incurred by such an employee after the end of the year or fiscal period;

"(*i*) any amount or part of an amount which, by reason of paragraph *h*, is not a qualified training expenditure made in a taxation year or a fiscal period is deemed to be a qualified training expenditure made in the subsequent taxation year or in the subsequent fiscal period to which such an amount or part may reasonably be considered to relate."

(2) This section applies in respect of training expenditures made after 14 May 1992.

112. (1) Section 1029.8.25 of the said Act is amended

(1) by replacing subparagraphs *a* and *b* of the first paragraph by the following subparagraphs:

"(*a*) where the qualified training expenditure corresponds to the cost of a human resources development plan, 30 % of the amount of that expenditure if it is made before 1 January 1995, and 20 % of the amount of that expenditure if it is made after 31 December 1994, and

"(*b*) where the qualified training expenditure corresponds to an expenditure other than an expenditure referred to in subparagraph *a*, 20 % of the amount of that expenditure if the qualified training activity to which it relates is completed before 1 January 1995, and 10 % of the amount of that expenditure if the qualified training activity to which it relates is completed after 31 December 1994.";

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

"For the purposes of computing the payments that a corporation contemplated in the first paragraph is required to make under section 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, the corporation is deemed to have paid to the Minister, as partial payment of its tax payable for the year pursuant to this Part and of its tax payable for the year pursuant to Parts IV and IV.1, on the date on or before which each payment must be made, the amount that would be determined under the first paragraph if it applied only to the period covered by the payment."

(2) Paragraph 2 of subsection 1 applies in respect of instalments to be made by a corporation after 30 June 1992.

113. (1) The said Act is amended by inserting, after section 1029.8.25, the following section:

"**1029.8.25.1** Where a qualified partnership makes a qualified training expenditure at any particular time, each qualified corporation that is a member of that partnership throughout the period commencing at that particular time and ending at the end of a fiscal period of the qualified partnership in which the expenditure is made and encloses, with its fiscal return it is required to file under section 1000 for its taxation year in which the fiscal period of the partnership ends, a prescribed form containing the prescribed information, is deemed to have paid to the Minister, as partial payment of its tax payable for that taxation year pursuant to this Part, an amount equal to the aggregate of the following amounts:

(*a*) where the qualified training expenditure corresponds to the cost of a human resources development plan, its share of an amount equal to 30 % of the amount of that expenditure if it is made before 1 January 1995, and its share of an amount equal to 20 % of the amount of that expenditure if it is made after 31 December 1994, and

(*b*) where the qualified training expenditure corresponds to an expenditure other than an expenditure referred to in subparagraph

a, its share of an amount equal to 20 % of the amount of that expenditure if the qualified training activity to which it relates is completed before 1 January 1995, and its share of an amount equal to 10 % of the amount of that expenditure if the qualified training activity to which it relates is completed after 31 December 1994.

For the purposes of computing the payments that a corporation contemplated in the first paragraph is required to make under section 1027, 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11 for its taxation year in which the fiscal period of the qualified partnership ends, the corporation is deemed to have paid to the Minister, as partial payment of the aggregate of its tax payable for the year pursuant to this Part and of its tax payable for the year pursuant to Parts IV and IV.1, the amount determined for the year in its respect under the first paragraph, on the date on which the fiscal period ends where that date coincides with the date on or before which the corporation is required to make such a payment or, in other cases, on the first date following the end of that fiscal period which is the date on or before which it is required to make such a payment.

For the purposes of the first paragraph, the share of a qualified corporation in a qualified training expenditure made by a qualified partnership of which it is a member is equal to such proportion of that expenditure as the interest of the qualified corporation, for the fiscal period of the partnership ending in its taxation year, in the profits of the qualified partnership is of the aggregate of the interest of all members in the profits of the qualified partnership for that fiscal period.

Where, at any particular time, a qualified partnership referred to in the first paragraph makes a qualified training expenditure relating to a training activity followed by a person who is both an eligible employee of the qualified partnership and a specified shareholder or a specified member of a qualified corporation that is a member of the qualified partnership, that qualified corporation cannot be deemed to have paid an amount to the Minister under the first paragraph in respect of its share in such an expenditure."

(2) This section applies in respect of training expenditures made after 14 May 1992.

114. (1) Section 1029.8.26 of the said Act, replaced by section 175 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**1029.8.26** Where the corporation referred to in section 1029.8.25 or 1029.8.25.1 is a corporation whose assets or net shareholders' equity shown in its books and financial statements submitted to the shareholders for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than $25 000 000 and no more than $10 000 000, respectively, the references to "30 %" and "20 %" in subparagraph *a* of the first paragraph of the said sections 1029.8.25 and 1029.8.25.1 shall read as references to "50 %" and "30 %", respectively, and the references to "20 %" and "10 %" in subparagraph *b* of the first paragraph of the said sections 1029.8.25 and 1029.8.25.1 shall read as references to "40 %" and "20 %", respectively.

Where the corporation referred to in the first paragraph is a cooperative, the first paragraph shall read without reference to the words "net shareholders' " and as if the words "submitted to the shareholders" were replaced by the words "submitted to the members"."

(2) This section, where it enacts the first paragraph of section 1029.8.26 of the Taxation Act, applies in respect of training expenditures made after 14 May 1992 and, where it enacts the second paragraph of that section, has effect from 27 April 1990.

115. (1) Section 1029.8.27 of the said Act is replaced by the following section:

"**1029.8.27** For the purposes of section 1029.8.26, in computing the assets and the net shareholders' equity of a corporation at the time contemplated therein, or, where the corporation is a cooperative, its assets or its equity at that time, the amount representing the surplus reassessment of its property and the amount of its intangible assets shall be subtracted, to the extent that the amount indicated in their respect exceeds the expenditure made in their respect.

For the purposes of the first paragraph, where all or part of an expenditure made in respect of intangible assets consists of shares of the corporation's or cooperative's capital stock, all or the part of the expenditure, as the case may be, is deemed to be nil."

(2) This section has effect from 27 April 1990.

116. (1) The said Act is amended by inserting, after section 1029.8.29, the following section:

"**1029.8.29.1** For the purposes of section 1029.8.26, the equity of a cooperative that is associated in a taxation year with one or more other corporations is equal to the amount by which the aggregate of the equity of the cooperative and of the equity or net shareholders' equity of each corporation associated with it, as determined under sections 1029.8.26 and 1029.8.27, exceeds the amount of investments in shares of the capital stock the corporations own in each other."

(2) This section has effect from 27 April 1990.

117. (1) Sections 1029.8.30 to 1029.8.32 of the said Act are replaced by the following sections:

"**1029.8.30** For the purposes of sections 1029.8.26 to 1029.8.29.1, where a corporation referred to in section 1029.8.25 or 1029.8.25.1 or a corporation associated with it reduces its assets or the net shareholders' equity or, where any of such corporations is a cooperative, its assets or equity, by any transaction in a taxation year and where, but for that reduction, the corporation referred to in section 1029.8.25 or 1029.8.25.1 would not be contemplated in section 1029.8.26, the assets, the net shareholders' equity or the equity, as the case may be, are deemed not to have been so reduced unless the Minister decides otherwise.

"**1029.8.31** Where, in respect of a qualified training expenditure made by a qualified corporation in a taxation year or by a qualified partnership in a fiscal period in respect of a qualified training activity, a person or a partnership has obtained, is entitled to obtain or can reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may be reasonably be attributable to the qualified training activity, whether in the form of a reimbursement, compensation, guarantee or the proceeds of disposition of a property which exceed the fair market value of that property, or in any other form or manner, the following rules apply:

(*a*) for the purposes of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.25, the amount of the qualified training expenditure shall be reduced by the amount of the benefit or advantage the person or partnership has obtained, is entitled to obtain or can reasonably expect to obtain at the time of filing the qualified corporation's fiscal return for that taxation year;

(*b*) for the purposes of computing the amount that is deemed to have been paid to the Minister under section 1029.8.25.1 by a qualified corporation that is a member of the qualified partnership for its taxation year in which that fiscal period ends, the corporation's share

of the amount of the qualified training expenditure shall be reduced, where applicable,

i. by its share of the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or can reasonably expect to obtain at the time of the filing, by the qualified corporation, of its fiscal return for the taxation year in which the fiscal period of the partnership in which the training expenditure was made ends;

ii. by the amount of the benefit or advantage that the qualified corporation or a person with which it does not deal at arm's length has obtained, is entitled to obtain or can reasonably expect to obtain at the time of the filing of its or his fiscal return for the taxation year in which the fiscal period of the partnership in which the training expenditure was made ends.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the qualified corporation's share of the amount of the benefit or advantage which a partnership or a person other than a person referred to in subparagraph ii of that subparagraph *b* has obtained, is entitled to obtain or can reasonably expect to obtain, is equal to such proportion of that amount as the interest of the qualified corporation in the profits of the qualified partnership, for the fiscal period of the qualified partnership ending in its taxation year, is of the aggregate of the interest of all members in the profits of the qualified partnership for that fiscal period.

"**1029.8.32** For the purposes of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by a qualified corporation under section 1029.8.25 or 1029.8.25.1, the following rules apply:

(*a*) the amount of a qualified training expenditure referred to in section 1029.8.25 shall be reduced, as the case may be, by the amount of any government assistance or non-government assistance, other than any such assistance related to a human resources development plan, and by any apparent payment, attributable to the qualified training expenditure, that the qualified corporation or, in the case of an apparent payment, a person with whom it does not deal at arm's length has received, is entitled to receive or can reasonably expect to receive at the time of filing its or his fiscal return for the taxation year;

(*b*) the share of a qualified corporation that is a member of a qualified partnership of the amount of a qualified training expenditure referred to in section 1029.8.25.1 shall be reduced, where applicable,

i. by its share of the amount of any government assistance or non-government assistance, other than any such assistance related to a human resources development plan, and by any apparent payment, attributable to the qualified training expenditure, that the qualified partnership has received, is entitled to receive or can reasonably expect to receive at the time of filing, by the qualified corporation, of its fiscal return for the taxation year in which the fiscal period of the partnership in which the training expenditure was made ends;

ii. by the amount of any government assistance or non-government assistance, other than any such assistance related to a human resources development plan, and by any apparent payment, attributable to the qualified training expenditure, that the qualified corporation or, in the case of an apparent payment, a person with whom it does not deal at arm's length has received, is entitled to receive or can reasonably expect to receive at the time of filing its or his fiscal return for the taxation year in which the fiscal period of the partnership in which the training expenditure has been made ends.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the qualified corporation's share of the amount of any government assistance or non-government assistance, other than any such assistance related to a human resources development plan, and of any apparent payment that the qualified partnership has received, is entitled to receive or can reasonably expect to receive, is equal to such proportion of that amount as the interest of the qualified corporation in the profits of the qualified partnership, for the fiscal period of the qualified partnership ending in its taxation year, is of the aggregate of the interest of all members in the profits of the qualified partnership for that fiscal period."

(2) This section, where it replaces section 1029.8.30 of the Taxation Act, has effect from 27 April 1990 and where it replaces sections 1029.8.31 and 1029.8.32 of the said Act, applies in respect of training expenditures made after 14 May 1992. However, where section 1029.8.30 of the said Act, enacted by this section, refers to section 1029.8.25.1 of the said Act, it applies to training expenditures made after that date.

118. (1) The said Act is amended by inserting, after section 1029.8.32, the following section:

"**1029.8.32.1** For the purposes of this Part and the regulations, the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.25 or 1029.8.25.1 is deemed not to be assistance or an inducement received by the corporation from a government."

(2) This section has effect from 27 April 1990. However, where section 1029.8.32.1 of the Taxation Act, enacted by this section, refers to section 1029.8.25.1 of the said Act, it applies in respect of training expenditures made after 14 May 1992.

119. (1) Section 1029.8.33 of the said Act, replaced by section 176 of chapter 1 of the statutes of 1992, is amended

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

"**1029.8.33** A qualified corporation is deemed to have paid to the Minister, for a taxation year, an amount under section 1029.8.25 or 1029.8.25.1 in respect of either a qualified training expenditure corresponding to wages paid to an eligible employee thereof, or in respect of its share of the amount of such an expenditure which corresponds to wages paid by a qualified partnership to an eligible employee thereof, in respect of any period in the taxation year or the fiscal period of the qualified partnership ending in the taxation year of the qualified corporation during which the employee participated in a qualified training activity in which he was enrolled, only if, no later than the date on which the qualified corporation referred to in section 1029.8.25 or 1029.8.25.1 is required to file its fiscal return for the year under section 1000, a prescribed form on which the corporation or partnership, as the case may be, certifies the eligible employee's participation in the qualified training activity during that period is signed jointly by an authorized representative of the qualified corporation or qualified partnership, as the case may be, and, where the qualified training activity is followed with";

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

"(*b*) a recognized educational institution in an establishment either of the qualified partnership, a qualified corporation that is a member of the qualified partnership or a person with whom such a corporation does not deal at arm's length or of the qualified corporation or a person with whom it does not deal at arm's length, by an authorized representative of the recognized educational institution."

(2) This section applies in respect of training expenditures made after 14 May 1992.

120. (1) Section 1029.8.34 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is amended

(1) by replacing the definition of "government assistance" in the first paragraph by the following definition:

" "government assistance" means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than a prescribed amount and the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.35;";

(2) by adding, after the second paragraph, the following paragraph:

"For the purposes of subparagraph i of paragraph *b* of the definition of "qualified manpower expenditure" in the first paragraph, the production costs incurred by a corporation before the end of a taxation year in respect of a property are deemed to include, on the one hand, a reasonable amount relating to the production fees in connection with the property, to the extent that a corresponding amount constitutes, for that year or a preceding taxation year, a production cost, cost or capital cost, as the case may be, of the property to a person other than the corporation, and, on the other hand, an amount equal to the fair market value of the use by the corporation before the end of the year of property or services as part of the production of the property, for no consideration on the part of the corporation."

(2) This section has effect from 19 December 1990.

121. (1) Section 1029.8.35 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is amended by replacing the first and second paragraphs by the following paragraphs:

"**1029.8.35** A corporation that is a qualified corporation for a taxation year and encloses, with its fiscal return it is required to file for the year under section 1000, a copy of the favourable advance ruling in force at the end of the year or, as the case may be, of the certificate, unrevoked at the end of the year, that was issued in favour of the corporation by the Société générale des industries culturelles in respect of a property that is a Québec film production, a prescribed form containing the prescribed information and any other prescribed document is deemed, where the main filming and taping of the property began before the end of the year, to have paid to the Minister on the last day of that year, as partial payment of its tax payable for that year pursuant to this Part, an amount equal to 40 % of its qualified manpower expenditure for the year in respect of that property.

For the purpose of computing the payments that a corporation contemplated in the first paragraph is required to make under section

1027 or 1145 where that section refers to section 1027 or 1159.7 where that section refers to section 1027 or under section 1159.11, the corporation is deemed to have paid to the Minister, as partial payment of the aggregate of its tax payable for the year pursuant to this Part and of its tax payable for the year pursuant to Parts IV and IV.1, on the one hand, on the date on or before which the first payment must be made, the portion, referred to in this paragraph as the "particular portion", of the amount determined under the first paragraph for the year that may reasonably be attributed to a manpower expenditure of the corporation for a preceding taxation year and, on the other hand, on the date on or before which each payment must be made, the amount which would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment without reference to the particular portion."

(2) This section, where it replaces the first paragraph of section 1029.8.35 of the Taxation Act, has effect from 19 December 1990 and, where it replaces the second paragraph of that section, applies in respect of instalments to be made by a corporation after 30 June 1992.

122. (1) Section 1029.8.36 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is replaced by the following section:

"**1029.8.36** For the purposes of this Part, the amount that a corporation is deemed, under section 1029.8.35, to have paid to the Minister for a taxation year in respect of a property that is a Québec film production, shall reduce the production cost, cost or capital cost, as the case may be, of the property to it only to the extent that the amount can reasonably be attributed to such production cost, cost or capital cost, as the case may be."

(2) This section has effect from 19 December 1990.

123. (1) Section 1029.8.42 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is amended by replacing paragraphs *a* to *e* by the following paragraphs:

"(*a*) $104 in respect of the individual;

"(*b*) $104 in respect of the individual's spouse during the year, where applicable;

"(*c*) $53 if, throughout the year, the individual has no spouse and ordinarily lives in a self-contained domestic establishment in which no person, other than himself or his dependent person, lives;

"(*d*) $31 in respect of each dependent person of the individual during the year;

"(*e*) $18 in respect of not more than one dependent person of the individual during the year if the individual has no spouse throughout the year."

(2) This section applies from the taxation year 1992. However, where section 1029.8.42 of the Taxation Act, enacted by this section, applies to the taxation year 1992, the amounts of $104, $53, $31 and $18 mentioned in the said section 1029.8.42 shall be replaced by $96, $51, $28 and $16, respectively.

124. (1) Section 1029.8.43 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is amended

(1) by replacing that part of paragraph *a* preceding subparagraph 1 of subparagraph ii by the following:

"(*a*) 2 % of the excess, over the amount determined under section 1029.8.44 in respect of the individual for the year, of the amount by which the aggregate of the total income of the individual for the year and, where applicable, of the total income of his spouse for the year exceeds

i. $7 860 if, during the year, the individual has a spouse and a dependent person;

ii. $6 680 if the individual";

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

"iii. $5 585 if the individual is not contemplated in subparagraphs i and ii and has a dependent person during the year;".

(2) This section, where it replaces that part of paragraph *a* of section 1029.8.43 of the Taxation Act preceding subparagraph i, applies from the taxation year 1991 and, where it replaces subparagraph i of that paragraph *a*, that part of subparagraph ii of that paragraph *a* preceding subparagraph 1 and subparagraph iii of that paragraph *a*, applies from the taxation year 1993.

125. Section 1029.8.49 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is amended by replacing the first paragraph by the following paragraph:

"**1029.8.49** The following amounts shall be indexed annually so that each of these amounts to be used for a taxation year subsequent to the taxation year 1993 becomes that obtained by adding to that amount the amount obtained by multiplying by the same ratio as that prescribed for the purposes of section 752.0.20 for that subsequent taxation year the amount that would have been applicable for that year but for this section:

(*a*) the amounts of $104, $53, $31 and $18 mentioned in section 1029.8.42;

(*b*) the amounts of $7 860, $6 680, $5 585 and $4 000 mentioned in section 1029.8.43."

126. (1) Section 1029.8.51 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is replaced by the following section:

"**1029.8.51** In this division, the expressions "common share with full voting rights", "qualified convertible preferred share", "qualified corporation", "qualified convertible debenture" and "qualified investor" have the meaning assigned thereto by the Act to promote the capitalization of small and medium-sized businesses (1992, chapter 46), and the expression "qualified investment" means a qualified investment, within the meaning of the said Act, in respect of which a validation certificate was granted under the said Act by the Société de développement industriel du Québec."

(2) This section applies in respect of a qualified investment made after 14 May 1992 for which the Société de développement industriel du Québec has issued a validation certificate after that date. However, where it indicates, in section 1029.8.51 of the Taxation Act, the year of assent and the chapter number of the Act to promote the capitalization of small and medium-sized businesses, it has effect from 23 June 1992.

127. (1) Section 1029.8.52 of the said Act, enacted by section 177 of chapter 1 of the statutes of 1992, is replaced by the following section:

"**1029.8.52** A qualified corporation that issues, in a taxation year, common shares with full voting rights and, where such is the case, a qualified convertible debenture or a qualified convertible preferred share as part of a qualified investment made by a qualified investor and encloses, with its fiscal return it is required to file for the year under section 1000, a copy of the validation certificate

granted by the Société de développement industriel du Québec in respect of the qualified investment and unrevoked at or before the time of filing of its fiscal return for the year, is deemed to have paid to the Minister on the last day of that year, as partial payment of its tax payable for the year pursuant to this Part, an amount equal to the aggregate of 24 % of the proceeds of the issue of the common shares with full voting rights, 12 % of the proceeds of the issue of the qualified convertible debenture and 12 % of the proceeds of the issue of the qualified convertible preferred share."

(2) This section applies in respect of a qualified investment made after 14 May 1992 for which the Société de développement industriel du Québec has issued a validation certificate after that date.

128. (1) The said Act is amended by inserting, after section 1029.8.52, the following section:

"**1029.8.52.1** For the purposes of this Part and the regulations, the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.52 is deemed not to be assistance or an inducement received by the corporation from a government."

(2) This section has effect from 20 June 1991.

129. (1) The said Act is amended by inserting, after section 1029.8.53, the following:

"DIVISION II.11

"CREDIT FOR ADULTS HOUSING THEIR PARENTS

"§ 1.—*Interpretation*

"**1029.8.54** In this division, "qualified parent" of an individual means a person who is the mother or father of the individual or any other direct ascendant of the individual or his spouse.

For the purpose of determining whether a person is a qualified parent of an individual, a person who, immediately before death, was the spouse of the individual is deemed to be a spouse of the individual.

"**1029.8.55** For the purposes of this division, the period applicable for a year to a person in relation to an individual is a period of at least

(*a*) 365 consecutive days commencing in the year or in the preceding year, where

i. the period includes at least 183 days in the year; and

ii. the person reached, before the end of the year, 70 years of age or would have reached that age before that time had he not died in the year;

(*b*) 90 consecutive days included in the year, where

i. the person reached, before the end of the year, 60 years of age, or would have reached that age before that time had he not died in the year;

ii. the period is included in a period, referred to in this section as the "particular period", of at least 365 consecutive days commencing in the year or in the preceding year;

iii. the particular period includes at least 183 days in the year;

iv. throughout the particular period, the person ordinarily lives with the individual or another individual in a self-contained domestic establishment and has a severe and prolonged mental or physical impairment the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted; and

v. throughout the period in which the person ordinarily lives with the individual or the other individual, as the case may be, in the self-contained domestic establishment,

(1) the self-contained domestic establishment is maintained by the individual or his spouse or by the other individual or his spouse, as the case may be;

(2) the individual or his spouse or the other individual or his spouse, as the case may be, is the owner, lessee or sub-lessee of the self-contained domestic establishment; and

(3) the person is a qualified parent of the individual or of the other individual, as the case may be.

"**1029.8.56** The first paragraph of section 752.0.17 applies for the purpose of determining if a person, in whose respect the period applicable for a year in relation to an individual is the period described in paragraph *b* of section 1029.8.55, has a severe and prolonged mental or physical impairment the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted.

The Minister may obtain the advice of an agency or of another department to determine whether a person, in whose respect the period applicable for a year in relation to an individual is the period described in paragraph *b* of section 1029.8.55, has a severe and prolonged mental or physical impairment the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted, and any person referred to in section 1029.8.57 or in paragraph *b* of section 1029.8.59 shall, on request in writing by the agency or the other department for information with respect to a person's impairment and its effects on the person, provide the information so requested.

"§ 2.—*Credit*

"**1029.8.57** An individual who is resident in Québec on 31 December of a year and who, during the year, is not dependent upon another individual, is deemed to have paid to the Minister, on that date, as partial payment of his tax payable under this Part for his taxation year whose end coincides with that date, an amount equal to $440 for the year in respect of each person who, throughout the period applicable to that person for the year in relation to the individual, is a qualified parent of the individual and who, throughout that period, ordinarily lives with the individual in a self-contained domestic establishment which, throughout that period, is maintained by the individual or his spouse and of which the individual or his spouse is, throughout that period, the owner, lessee or sub-lessee.

For the purposes of this section, an individual who was resident in Québec immediately before his death is deemed to be resident in Québec on 31 December of the year of his death.

"**1029.8.58** For the purposes of section 1029.8.57, a person is dependent upon an individual during a year if that individual is not his spouse and has deducted, for the year, in respect of the person, an amount under any of sections 752.0.1 to 752.0.7 and 752.0.11 to 752.0.18.

"**1029.8.59** No individual may be deemed to have paid to the Minister an amount under section 1029.8.57 for a taxation year in respect of a person unless he files with the Minister, together with the fiscal return he is required to file under section 1000 for the year, or would have been required to file if tax was payable by him for the year under this Part, the following documents:

(*a*) the prescribed form on which

i. the individual certifies that, throughout the period applicable to that person for the year in relation to the individual, he ordinarily lived with that person in the self-contained domestic establishment referred to in subparagraph ii; and

ii. the individual or his spouse, as the case may be, certifies that, throughout the period referred to in subparagraph i, he maintained a self-contained domestic establishment of which the individual or his spouse, throughout that period, was the owner, lessee or sub-lessee;

(*b*) where the person has a severe and prolonged mental or physical impairment the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted and the period applicable to that person for the year in relation to the individual is the period described in paragraph *b* of section 1029.8.55, the prescribed form on which a physician, within the meaning of section 752.0.18, or, where the person has a visual impairment, a physician or optometrist, within the meaning of the said section 752.0.18, certifies that the person has such a severe and prolonged mental or physical impairment.

"**1029.8.60** An individual may not be deemed to have paid to the Minister an amount under section 1029.8.57 for a taxation year in respect of a particular person if the individual himself, or the person who is his spouse during the period applicable to the particular person for the year in relation to the individual, is exempt from tax for the year pursuant to section 982 or 983 or paragraphs *a* to *c* of section 96 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).

"**1029.8.61** Where, for a taxation year, more than one individual is deemed to have paid to the Minister an amount for the year under section 1029.8.57 in respect of the same person, no amount exceeding the amount provided for in that section for the year in respect of that person may be deemed to have been paid to the Minister for the year under that section in respect of that person.

Where those individuals cannot agree as to what portion of the amount each is deemed to have paid to the Minister, the Minister may determine each portion for the year."

(2) This section applies from the taxation year 1992.

130. (1) Section 1037 of the said Act is replaced by the following section:

"**1037.** Where the amount paid by a taxpayer as tax payable for a taxation year on the date of expiration of the time allowed for

paying the remainder of his estimated tax for the year to the Minister is less than the amount of the tax payable for that year, the person liable to pay the tax shall pay interest at the rate fixed under section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) on the difference between those two amounts, for the period extending from the date of expiration of the time allowed for paying the remainder of his estimated tax to the Minister to the day of payment and, if no amount has been paid by the taxpayer, such interest is exigible on the total amount of tax payable for the same period."

(2) This section applies in respect of instalments to be made by a taxpayer after 30 June 1992.

131. (1) Section 1040 of the said Act, amended by section 2 of chapter 31 of the statutes of 1992, is replaced by the following section:

"**1040.** Every taxpayer required to make a payment pursuant to sections 1025 to 1029 shall, in addition to interest payable under section 1038, pay additional interest at the rate of 10 % per annum, for the period for which interest is payable under section 1038, on any unpaid payment or part of a payment.

The first paragraph does not apply where the amount paid by a taxpayer is equal to or greater than 90 % of the payment he was required to make."

(2) This section applies to instalments a taxpayer is required to make in respect of taxation years commencing after 31 December 1988. However, where section 1040 of the Taxation Act, enacted by this section, applies in respect of instalments an individual is required to make before 7 March 1992 or in respect of instalments a corporation is required to make in respect of the corporation's taxation years commencing before 7 March 1992, the reference therein to "10 %" shall read as a reference to "5 %".

132. (1) Section 1049.0.2 of the said Act is replaced by the following section:

"**1049.0.2** Every person who files false or misleading information in an application under section 1079.2 for an identification number for a tax shelter or issues, sells or accepts a contribution for the acquisition of an interest in a tax shelter before the Minister has issued an identification number for the tax shelter is liable to a penalty equal to such proportion of the greater of $500 and 3 % of the aggregate of all amounts each of which is the cost of the interest to any person who acquired an interest in the tax shelter before the

particular time when the correct information was filed with the Minister in respect of the tax shelter or when the identification number for the tax shelter was issued, as the case may be, as is represented by the ratio between the aggregate of all amounts each of which is the cost of the interest to any individual who acquired an interest in the tax shelter before the particular time and was resident in Québec at the time of acquisition and the aggregate of all amounts each of which is the cost of the interest to any person who acquired an interest in the tax shelter before the particular time."

(2) This section has effect from 1 June 1990.

133. (1) Section 1049.2.6 of the said Act, replaced by section 191 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**1049.2.6** Where, in a year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfill its undertaking under paragraph *b* of section 965.6.23 in respect of a public security issue made by the investment fund in the year and where, in the final prospectus or the exemption from filing a prospectus relating to the issue, a percentage is stipulated to determine the adjusted cost of securities that are qualifying securities, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which the adjusted cost of the aggregate of the qualifying securities issued by him in the year as part of the public security issue that are valid qualifying securities exceeds the adjusted cost of the qualifying shares or qualifying non-guaranteed convertible securities acquired by the investment fund during the year with the proceeds of the issue of such qualifying securities or, in the case of qualifying shares, acquired by it during the year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the year by the investment fund with the proceeds of the issue of such qualifying securities."

(2) This section applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992.

134. (1) Section 1049.2.7 of the said Act, replaced by section 192 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**1049.2.7** Where, on 31 December in a year, as a result of the administration of an investment fund by an administrator or trustee,

the investment fund is unable to fulfill its undertaking under paragraph *c* of section 965.6.23 in respect of a public security issue made by the investment fund in the year, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which the adjusted cost of the aggregate of the qualifying securities issued by him in the year and in the preceding two years as part of the public security issue that are not redeemed by the investment fund on or before 31 December in the year exceeds the adjusted cost of the qualifying shares, valid shares or qualifying non-guaranteed convertible securities owned by the investment fund on 31 December in the year."

(2) This section applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992.

135. (1) Section 1049.2.7.1 of the said Act, replaced by section 193 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**1049.2.7.1** Where, on 31 December in a particular year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfill its undertaking under paragraph *a* of section 965.6.23.1 in respect of a public security issue made by the investment fund in the year preceding the particular year, the administrator or trustee is liable to a penalty equal to 25 % of such proportion of the excess of that portion, which is the subject of the undertaking under the said paragraph *a*, of the proceeds for the year preceding the particular year, of the public security issue over the greater of the particular amount referred to in paragraph *b* of that section in respect of the year preceding the particular year and the cost, determined without taking into account the borrowing costs, brokerage or custody fees or other similar costs, to the investment fund, of the aggregate of the qualifying shares or qualifying non-guaranteed convertible securities described in the said paragraph *a* acquired by the investment fund during the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue or, in the case of qualifying shares, acquired by it during the particular year or the year preceding that year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund in the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue, other than any such qualifying shares or qualifying non-guaranteed convertible securities having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *b* of section 965.6.23.1 or a qualifying share or qualifying non-guaranteed

convertible security referred to in section 965.6.0.4 in respect of the particular year, as is represented by the ratio between that portion of the proceeds, for the year preceding the particular year, of the public security issue derived from the issue of qualifying securities and the proceeds of the issue."

(2) This section has effect from 3 May 1991.

136. (1) The said Act is amended by inserting, after section 1049.2.7.1, the following section:

"**1049.2.7.1.1** Where, on 31 December in a particular year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfill its undertaking under paragraph *a*.1 of section 965.6.23.1 in respect of a public security issue made by the investment fund in the year preceding the particular year, the administrator or trustee is liable to a penalty equal to 25 % of such proportion of the excess of the adjusted cost of the aggregate of the qualifying shares and qualifying non-guaranteed convertible securities described in paragraph *a* of the said section that should have been acquired by the investment fund in the particular year and in the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue for the undertaking to be fulfilled, over the greater of the particular amount referred to in paragraph *b* of the said section 965.6.23.1 in respect of the year preceding the particular year and the adjusted cost of the aggregate of the qualifying shares or qualifying non-guaranteed convertible securities described in the said paragraph *a* acquired by the investment fund during the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue or, in the case of qualifying shares, acquired by it during the particular year or the year preceding that year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund in the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue, other than any such qualifying shares or qualifying non-guaranteed convertible securities having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *b* of section 965.6.23.1 or a qualifying share or qualifying non-guaranteed convertible security referred to in section 965.6.0.4 in respect of the particular year, as is represented by the ratio between that portion of the proceeds, for the year preceding the particular year, of the public security issue derived from the issue of qualifying securities and the proceeds of the issue."

(2) This section has effect from 3 May 1991.

137. (1) Section 1049.2.7.2 of the said Act, amended by section 194 of chapter 1 of the statutes of 1992, is again amended

(1) by replacing that part preceding paragraph *a* by the following:

"**1049.2.7.2** Where, in a year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfill its undertaking under paragraph *b* of section 965.6.23.1 in respect of a public security issue made by the investment fund in the year and, in the final prospectus or the exemption from filing a prospectus relating to the issue, a percentage is stipulated to determine the adjusted cost of securities that are qualifying securities, the administrator or trustee is liable to a penalty equal to 25 % of the amount by which";

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

"(*b*) the adjusted cost of the qualifying shares or qualifying non-guaranteed convertible securities acquired by the investment fund during the year with that portion of the proceeds of the issue of valid qualifying securities issued in the year that exceeds the particular amount referred to in the said paragraph *b* in respect of the year, or, in the case of qualifying shares, acquired by it during the year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased in the year by the investment fund with that portion of the proceeds of the issue, other than qualifying shares or qualifying non-guaranteed convertible securities having already been used, in respect of the year, for the purposes of paragraph *c* of section 965.6.23.1 or a qualifying share or qualifying non-guaranteed convertible security referred to in section 965.6.0.4 in respect of the year."

(2) This section applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992.

138. (1) Section 1049.2.7.3 of the said Act, replaced by section 195 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**1049.2.7.3** Where, in a particular year, as a result of the administration of an investment fund by an administrator or trustee, the investment fund is unable to fulfill its undertaking under paragraph *c* of section 965.6.23.1 in respect of a public security issue made by the investment fund in the year preceding the particular year, the administrator or trustee is liable to a penalty equal to 25 %

of the amount by which the particular amount referred to in paragraph *b* of the said section in respect of the year preceding the particular year, exceeds the adjusted cost of the qualifying shares or qualifying non-guaranteed convertible securities described in paragraph *a* of the said section, acquired by the investment fund during the particular year or the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue or, in the case of qualifying shares, acquired by it during the particular year or the year preceding that year as a result of the exercise of a conversion right conferred on the holder of a convertible security purchased by the investment fund in the particular year or the year preceding that year with the proceeds of the issue, other than any such qualifying shares or qualifying non-guaranteed convertible securities having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *b* of section 965.6.23.1 or a qualifying share or qualifying non-guaranteed convertible security referred to in section 965.6.0.4 in respect of the particular year."

(2) This section applies in respect of security issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 14 May 1992.

139. (1) Section 1079.6 of the said Act, replaced by section 343 of chapter (*insert here the chapter number of Bill 58*) of the statutes of (*insert here the year of assent to Bill 58*), is again replaced by the following section:

"**1079.6** In computing the amount of income, taxable income, taxable income earned in Canada of, tax or other amount payable by, or refundable to, a taxpayer under this Act for a taxation year, or any other amount that is relevant for the purposes of computing that amount, no amount may be deducted by the taxpayer in respect of an interest in a tax shelter unless he files with the Minister a prescribed form containing the prescribed information and, where the taxpayer was an individual resident in Québec at the time the interest was acquired by him, the identification number for the tax shelter, and, in other cases, either that identification number or the identification number issued under subsection 3 of section 237.1 of the Income Tax Act (Statutes of Canada) by the Minister of National Revenue for the tax shelter."

(2) This section applies in respect of interests acquired after 31 May 1990. However, where section 1079.6 of the Taxation Act, enacted by this section, applies in respect of interests acquired before 1 January 1991, the reference therein to "files with the Minister a

prescribed form containing the prescribed information and" shall read as a reference to "provides to the Minister".

140. (1) Section 1079.7 of the said Act is amended by replacing that part preceding paragraph *c* by the following:

"**1079.7** Every promoter in respect of a tax shelter, from whom an interest in the tax shelter was acquired by an individual resident in Québec at the time of the acquisition, who accepted from an individual resident in Québec at the time of the acceptance a contribution in respect of an acquisition of an interest in the tax shelter or who acted as an agent in respect of such an acquisition in a calendar year, shall, in the prescribed form and manner, make an information return for that year, unless such a return in respect of the acquisition has already been made, containing

(*a*) the name, address and Social Insurance Number of each individual who so acquired an interest in the tax shelter and who was resident in Québec at the time of the acquisition,

(*b*) the amount paid for the interest by each individual described in paragraph *a*, and".

(2) This section applies to interests acquired after 31 May 1990.

141. (1) Section 1129.4 of the said Act, enacted by section 204 of chapter 1 of the statutes of 1992, is replaced by the following section:

"**1129.4** Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to that first paragraph, and sections 21.25, 1000 to 1029 and 1030 to 1079.16 apply, with such modifications as the circumstances require, to this Part."

(2) This section has effect from 19 December 1990.

142. (1) The said Act is amended by inserting, after section 1129.15, the following:

"PART III.4

"SPECIAL TAX RELATING TO THE DISPOSITION OF CERTAIN PROPERTY BY AN ARCHIVAL CENTRE OR A MUSEUM

"BOOK I

"DEFINITIONS

"**1129.16** In this Part, unless the context indicates otherwise,

"accredited museum" has the meaning assigned by section 1;

"certified archival centre" has the meaning assigned by section 1;

"eligible entity" means

(*a*) a certified archival centre;

(*b*) an accredited museum;

(*c*) an institution or a public authority in Canada designated, under subsection 2 of section 32 of the Cultural Property Export and Import Act (Statutes of Canada), generally or for a specified purpose related to the property referred to in section 1129.17;

"Minister" means the Minister of Revenue.

"BOOK II

"LIABILITY FOR AND AMOUNT OF TAX

"**1129.17** Where an archival centre or a museum disposes of a property within four years after the day the centre or museum, as the case may be, acquired it and where the centre or the museum, as the case may be, was, at the time of the acquisition, a certified archival centre or an accredited museum and the property was a property in respect of which the Commission des biens culturels du Québec issued a certificate setting forth that the property was acquired by the centre or the museum in accordance with its acquisition and conservation policy and with the directives of the Ministère des Affaires culturelles, the centre or the museum, as the case may be, shall pay, for the year in which the property was disposed of, tax equal to 30 % of the fair market value of the property at the time of the disposition, except if the property is disposed of to an entity which is, at that time, an eligible entity.

"**1129.18** Where an archival centre or a museum must, for a year, pay tax under this Part, it shall, within 90 days after the end of the year,

(*a*) send to the Minister, without notice or demand therefor, a statement under this Part in prescribed form containing prescribed information;

(*b*) estimate, in the statement, the amount of its tax payable under this Part for the year;

(*c*) pay to the Minister the amount of its tax payable under this Part for the year.

"BOOK III

"MISCELLANEOUS PROVISIONS

"**1129.19** Except where inconsistent with this Part, sections 1001, 1002, 1030 and 1037, Titles II and V to VII of Book IX of Part I and Book X of Part I apply to this Part, with such modifications as the circumstances require.

"PART III.5

"SPECIAL TAX RELATING TO THE DISPOSITION OF CERTAIN PROPERTY BY AN INSTITUTION OR PUBLIC AUTHORITY

"BOOK I

"DEFINITIONS

"**1129.20** In this Part, unless the context indicates otherwise,

"eligible entity" means

(*a*) a certified archival centre, within the meaning of section 1;

(*b*) an accredited museum within the meaning of section 1;

(*c*) an institution or public authority in Canada which is designated, under subsection 2 of section 32 of the Cultural Property Export and Import Act (Statutes of Canada), generally or for a specified purpose related to the property referred to in section 1029.21;

"Minister" means the Minister of Revenue.

"BOOK II

"LIABILITY FOR AND AMOUNT OF TAX

"**1129.21** Where an institution or public authority disposes of a property, other than a prescribed property, within four years after the day on which the institution or public authority, as the case may be, acquired it and where the institution or public authority, as the case may be, was, at the time of the acquisition, designated under subsection 2 of section 32 of the Cultural Property Export and Import Act (Statutes of Canada) generally or for a specified purpose related to the property and the property was, at the time of the acquisition, a property recognized in accordance with section 16 of the Cultural Property Act (R.S.Q., chapter B-4) or classified in accordance with sections 24 to 29 of the latter Act, the institution or public authority, as the case may be, shall pay, for the year in which the property is disposed of, tax equal to 30 % of the fair market value of the property at the time of the disposition, except where the property is disposed of to an entity which is, at that time, an eligible entity.

"**1129.22** Where an institution or public authority must, for a year, pay tax under this Part, it shall, within 90 days after the end of the year,

(*a*) send to the Minister, without notice or demand therefor, a statement under this Part in prescribed form containing prescribed information;

(*b*) estimate, in the statement, the amount of its tax payable under this Part for the year;

(*c*) pay to the Minister the amount of its tax payable under this Part for the year.

"BOOK III

"MISCELLANEOUS PROVISIONS

"**1129.23** Except where inconsistent with this Part, sections 1001, 1002, 1030 and 1037, Titles II and V to VII of Book IX of Part I and Book X of Part I apply to this Part, with such modifications as the circumstances require."

(2) This section applies in respect of dispositions made after 30 June 1992.

143. (1) Section 1136 of the said Act is amended by adding, after paragraph *e* of subsection 1, the following paragraph:

"(*f*) bankers' acceptances and other similar securities accepted by a bank or other person, which constitute liabilities of the corporation."

(2) This section applies to taxation years ending after 14 May 1992.

144. (1) Section 1138 of the said Act is amended

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

"**1138.** (1) The paid-up capital of a corporation computed after the application of sections 1136 and 1137 shall be reduced in the proportion that the aggregate of the value of its investments in shares and bonds of other corporations, the amounts of the loans and advances to other corporations, the amounts of the loans and advances to a partnership or joint venture, to the extent that the amounts of the latter loans or advances are included in computing the paid-up capital of a corporation that has an interest in the partnership or joint venture, the amounts of the bankers' acceptances and other similar securities accepted by a bank or any other person which are assets thereof and the amount referred to in section 1138.4 is of the total of its assets.";

(2) by inserting, after subsection 2.1, the following subsection:

"(2.1.1) The following bankers' acceptances or other similar securities are deemed not to be referred to in subsection 1:

(*a*) bankers' acceptances and other similar securities accepted by a bank or other person, except those held on a continuous basis by the corporation throughout the 120-day period ending immediately before the end of its taxation year and issued for a term of 120 days or more;

(*b*) bankers' acceptances and other similar securities the drawer of which is a corporation authorized to receive deposits of money.";

(3) by replacing subsection 2.2 by the following subsection:

"(2.2) No reduction of the paid-up capital shall be permitted under subsection 1 in respect of a loan, an advance, a bankers' acceptance or any other similar security if it is established that the loan, advance, bankers' acceptance or security was made or issued as part of a series of loans, advances, bankers' acceptances or similar securities and repayments or transactions with a view to unduly reducing the paid-up capital."

(2) This section applies to taxation years ending after 14 May 1992.

145. (1) The said Act is amended by inserting, after section 1138.3, the following section:

"**1138.4** The amount referred to in subsection 1 of section 1138 is, in respect of a corporation not resident in Canada at any time in a taxation year, equal to the value, for that year, either of property that is a ship or airplane operated by the corporation in international traffic, within the meaning, in this section, of section 1, or of movable property that it uses in its business of transporting persons or goods in international traffic, where the property is used or held by the corporation in the year in the course of carrying on a business in the year through an establishment in Canada.

However, the reduction provided for in subsection 1 of section 1138 shall not apply in respect of the amount referred to in the first paragraph unless the country in which the corporation is resident does not impose, for that year, any capital tax on similar property or any tax on income from shipping and air transport operations in international traffic upon any corporation resident in Canada in that year."

(2) This section applies to taxation years ending after 30 June 1989.

146. (1) The said Act is amended by inserting, before Part V, the following:

"PART IV.1

"COMPENSATION TAX FOR FINANCIAL INSTITUTIONS

"BOOK I

"DEFINITIONS

"**1159.1** In this Part, unless the context indicates otherwise,

"amount paid as wages" means wages paid after 30 June 1992 by a financial institution or wages a financial institution is deemed to pay after 30 June 1992 under the second paragraph of section 979.3 to its employee who reports for work at its establishment in Québec or to whom those wages, if the employee is not required to report for work at an establishment of the financial institution, are paid or deemed paid from such an establishment in Québec;

"bank" means a bank, within the meaning of section 1130, that is liable to pay tax under Part IV;

"corporation trading in securities" means a corporation trading in securities that is liable to pay tax under Part IV;

"corporation" has the meaning assigned by section 1;

"employee" has the meaning assigned by section 1;

"establishment" has the meaning assigned by section 1;

"financial institution" means a financial institution referred to in paragraph *a* of subsection 1 of section 149 of the Excise Tax Act (Statutes of Canada), with the exception of a corporation established under the Canada Deposit Insurance Corporation Act (Statutes of Canada);

"financial service" has the meaning assigned by section 123 of the Excise Tax Act (Statutes of Canada);

"insurance corporation" means an insurance corporation within the meaning of section 1166 that is liable to pay tax under Part VI;

"loan corporation" means a loan corporation that is liable to pay tax under Part IV;

"Minister" means the Minister of Revenue;

"person" has the meaning assigned by section 123 of the Excise Tax Act (Statutes of Canada);

"savings and credit union" has the meaning assigned by section 797;

"supply" has the meaning assigned by section 123 of the Excise Tax Act (Statutes of Canada);

"taxation year" has the meaning assigned by section 1 and, in the case of a person other than a person within the meaning of section 1, means a calendar year;

"trust corporation" means a trust corporation that is liable to pay tax under Part IV;

"wages" has the meaning assigned by section 33 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5).

"BOOK II

"LIABILITY FOR AND AMOUNT OF THE TAX

"**1159.2** Every person that is a financial institution at any time in a taxation year shall pay a compensation tax for that year.

"**1159.3** The compensation tax a person referred to in section 1159.2 is required to pay for a taxation year is equal to,

(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of

i. 0.35 % of its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to section 1141.3, and

ii. 2 % of the amount paid as wages in the year;

(*b*) in the case of an insurance corporation, the aggregate of

i. 0.15 % of any premium that is paid in respect of which tax is to be paid in the year under Book II of Part VI,

ii. 0.15 % of any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI, and

iii. 2 % of the amount paid as wages in the year;

(*c*) in the case of a savings and credit union, subject to subparagraph *d*, 2.5 % of the amount paid as wages in the year;

(*d*) in the case of a person referred to in either of subparagraphs *a* and *c* that is also an insurance corporation, the aggregate of

i. the amount otherwise determined in the person's respect under subparagraph *a* or *c*, as the case may be, and

ii. 0.15 % of any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI;

(*e*) in the case of any other person, 1 % of the amount paid as wages in the year.

Notwithstanding the foregoing, where a person is not a financial institution throughout its taxation year, the compensation tax the person is required to pay for the year is equal to,

(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of

i. 0.35 % of the product obtained by multiplying its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to section 1141.3, by the ratio between the number of days in its taxation year during which it was a financial institution and the number of days in its taxation year, and

ii. 2 % of the amount paid as wages during the part or parts of the year, as the case may be, during which the person was a financial institution;

(*b*) in the case of an insurance corporation, the aggregate of

i. 0.15 % of the product obtained by multiplying any premium payable in respect of which tax is to be paid in the year under Book II of Part VI by the ratio between the number of days in its taxation year during which it was a financial institution and the number of days in its taxation year,

ii. 0.15 % of the product obtained by multiplying any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in its taxation year during which it was a financial institution and the number of days in its taxation year, and

iii. 2 % of the amount paid as wages during the part or parts of the year, as the case may be, during which the person was a financial institution;

(*c*) in the case of a savings and credit union, subject to subparagraph *d*, 2.5 % of the amount paid as wages during the part or parts of the year, as the case may be, during which the person was a financial institution;

(*d*) in the case of a person referred to in either of subparagraphs *a* and *c* that is also an insurance corporation, the aggregate of

i. the amount otherwise determined in its respect under subparagraph *a* or *c*, as the case may be, and

ii. 0.15 % of the product obtained by multiplying the amount of any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in its taxation year during which it was a financial institution and the number of days in its taxation year;

(*e*) in the case of any other person, 1 % of the amount paid as wages during the part or parts of the year, as the case may be, during which the person was a financial institution.

For the purposes of the second paragraph, where a person is a financial institution at any time in its taxation year, it is deemed to be such an institution throughout the period commencing at that time and ending on the last day of its taxation year.

"**1159.4** Where, in a taxation year, a corporation is deemed to be a financial institution by reason of the election made by the corporation under subsection 1 of section 150 of the Excise Tax Act (Statutes of Canada), or a savings and credit union is deemed to have made such an election under subsection 6 of the said section, and, for the part or parts of the year, as the case may be, during which the corporation or savings and credit union was a financial institution, the value of its supplies that are financial services is less than 90 % of the value of the aggregate of its supplies, the amount of the compensation tax is the amount determined by the formula

$$A \times \frac{B}{C}.$$

For the purposes of the formula set forth in the first paragraph,

(*a*) A is the amount of the compensation tax that would otherwise be computed under section 1159.3 if that section were read without reference to the third paragraph thereof;

(*b*) B is the value of the supplies of the corporation or the savings and credit union, as the case may be, that are financial services for the part or parts of the year, as the case may be, during which it was a financial institution, and

(*c*) C is the value of the aggregate of the supplies of the corporation or the savings and credit union, as the case may be, for the part or parts of the year, as the case may be, during which it was a financial institution.

"**1159.5** Where a financial institution referred to in subparagraph *a* of the first or second paragraph of section 1159.3 has an establishment situated outside Québec, subparagraph i of subparagraph *a* of the first or second paragraph, as the case may be, of the said section shall be construed as though the amount determined thereunder were equal to such proportion of the amount that would

otherwise be determined thereunder as the business carried on by it in Québec is of the aggregate of the business carried on by it in Québec and elsewhere, as determined by regulation.

"**1159.6** Where the taxation year of a financial institution referred to in subparagraph *a* of the first or second paragraph of section 1159.3 covers a period of less than 359 days, subparagraph i of subparagraph *a* of the first or second paragraph, as the case may be, of the said section shall be construed as though the amount determined thereunder were equal to such proportion of the amount that would otherwise be determined thereunder as the number of days in its taxation year is of 365.

"BOOK III

"MISCELLANEOUS PROVISIONS

"**1159.7** Except where inconsistent with this Part, sections 1000 to 1029 and 1030 to 1079.16 apply to this Part, with such modifications as the circumstances require.

Furthermore, for the purposes of this Part, the following rules apply:

(*a*) an insurance corporation that is not a corporation is deemed to be a corporation;

(*b*) the fiscal period of any corporation that is deemed to be a corporation under subparagraph *a* is deemed to be the taxation year of the corporation.

"**1159.8** Notwithstanding section 1000, every person other than a corporation shall file with the Minister in prescribed form, without notice or demand therefor, a fiscal return containing prescribed information for each taxation year for which the person is required to pay tax under this Part, in respect of such portion of the tax as is determined by reference to the percentage of the amount paid as wages referred to in subparagraph *e* of the first or second paragraph of section 1159.3.

Such return must be filed by the following persons and within the following time:

(*a*) in the case of a person who has died without making the return, by his legal representatives within 90 days after the person's death;

(*b*) in the case of an estate or trust, by the testamentary executor or the trustee, on or before the last day of February in the next year;

(*c*) in the case of a person other than a person within the meaning of section 1, by the person or on his behalf, on or before the last day of February in the next year;

(*d*) in the case of any other person, by that person or, if he is unable for any reason to file the return, by his judicial adviser, curator, tutor or other legal representative, including the public curator, on or before the last day of February in the next year;

(*e*) where no return has been filed pursuant to any of paragraphs *a* to *d*, by the person required by notice in writing from the Minister to file the return, within such time as the notice specifies.

Notwithstanding the second paragraph, the person who is required to file the return in prescribed form referred to in the first paragraph is the person who files or is required to file the return in prescribed form referred to in section 1086R1 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r. 1).

"**1159.9** Notwithstanding section 1159.8, every person who, on the date on or before which an amount is to be paid by the person to the Minister under section 1159.10, ceases or fails to pay the amount shall file the fiscal return provided for in section 1159.8 in prescribed form as referred to therein on or before the twentieth day of the month following that in which an amount was last paid by him.

"**1159.10** Notwithstanding sections 1025 and 1026, every person, other than a corporation, who is liable to pay tax under this Part for a taxation year shall, in respect of such portion of the tax as is determined by reference to the percentage of the amount paid as wages referred to in subparagraph *e* of the first or second paragraph of section 1159.3, pay to the Minister, in respect of each month of that year during which the person was a financial institution, on or before the date on or before which the person is required to pay any amount to the Minister under section 1015 in respect of that month, an amount equal to the percentage of the amount paid as wages in respect of that month.

"**1159.11** Notwithstanding sections 1027 and 1028 and subject to the second paragraph, every corporation liable to pay tax under this Part for a taxation year shall, in respect of such portion of the tax as is determined by reference to the appropriate percentage of the amount paid as wages referred to in subparagraph ii of subparagraph *a* of the first or second paragraph of section 1159.3,

subparagraph iii of subparagraph *b* of the first or second paragraph of the said section or subparagraph *c* or *e* of the first or second paragraph of the said section, pay to the Minister, on or before the last day of each month in that year during which it was a financial institution, an amount equal to the appropriate percentage of the amount paid as wages for the preceding month and, on or before the day that is two months after the end of the year, the remainder of that portion of the tax as estimated in accordance with section 1004.

The amount that a corporation or savings and credit union referred to in section 1159.4 is required to pay to the Minister on the last day of each month during which it was a financial institution is, where, in the preceding month, the value of its supplies that are financial services is less than 90 % of the value of the aggregate of its supplies, equal to the amount determined by the formula

$$A \times \frac{B}{C}.$$

For the purposes of the formula set forth in the second paragraph,

(*a*) A is the amount of the payment that would otherwise be determined for the month under the first paragraph,

(*b*) B is the value of the supplies of the corporation or savings and credit union, as the case may be, that are financial services, for the preceding month, and

(*c*) C is the value of the aggregate of the supplies of the corporation or savings and credit union, as the case may be, for the preceding month.

"**1159.12** For the purposes of this Part, subsection 3 of section 1030 shall be construed as though the reference to sections 1000 to 1003 also included a reference to section 1159.8.

"**1159.13** Notwithstanding section 1038, every corporation that is required to make a payment under section 1159.11 shall pay, in addition to the interest payable under section 1037, interest on every payment or part of a payment which it has not made on or before the date of expiry of the time granted for making it, at the rate fixed under section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), for the period extending from that date to the day of payment or to the day when the corporation becomes liable to pay interest under section 1037, whichever is earlier.

"**1159.14** Notwithstanding section 1159.13, the interest payable by a corporation under the said section shall not exceed the

amount by which the interest that would be payable by the corporation under the said section if the corporation had made no payments exceeds the amount obtained by computing interest at the rate fixed under section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) on each payment made by the corporation, for the period extending from the day of payment to the day on or before which the corporation is required to pay to the Minister the remainder of its estimated tax or would be so required if it had such a remainder to pay.

"**1159.15** Notwithstanding section 1040, every corporation that is required to make a payment under section 1159.11 shall pay, in addition to the interest payable under section 1159.13, additional interest at the rate of 10 % per annum, for the period for which interest is payable under section 1159.13, on any payment or part of a payment which it failed to make.

The first paragraph does not apply where the amount paid by a corporation is equal to or greater than 90 % of the amount it was required to make.

"**1159.16** Notwithstanding section 1159.15, the interest payable by a corporation under the said section shall not exceed the amount by which the interest that would be payable by the corporation under the said section if the corporation had made no payments exceeds the amount obtained by computing interest at the rate of 10 % on each payment made by the corporation, for the period extending from the day of payment to the day on or before which the corporation is required to pay to the Minister the remainder of its estimated tax or would be so required if it had such a remainder to pay.

"**1159.17** Where a person referred to in section 1171 is, at the time of the making of the insurance contract referred to therein, a financial institution, the person shall, when giving the notice referred to in subsection 1 of that section, pay to the Minister a compensation tax equal to 0.15 % of the amount of the premium payable by the person and in respect of which a tax must be paid under that section.

"**1159.18** Every person who contravenes section 1159.17 is liable, upon summary proceedings, to a fine equal to twice the amount of the tax payable under that section."

(2) Subject to subsections 3 to 5, this section, where it enacts Part IV.1 of the Taxation Act, applies to taxation years ending after 30 June 1992. However, where it applies to taxation years that include 1 July 1992,

(*a*) section 1159.3 of the Taxation Act, enacted by this section, shall read

i. as if subparagraph i of subparagraph *a* of the first paragraph thereof were replaced by the following subparagraph:

"i. 0.35 % of the product obtained by multiplying its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to section 1141.3, by the ratio between the number of days in its taxation year after 30 June 1992 and the number of days in its taxation year, and";

ii. as if subparagraphs i and ii of subparagraph *b* of the first paragraph thereof were replaced by the following subparagraphs:

"i. 0.15 % of the product obtained by multiplying any premium payable in respect of which tax is to be paid in the year under Book II of Part VI by the ratio between the number of days in its taxation year after 30 June 1992 and the number of days in its taxation year,

"ii. 0.15 % of the product obtained by multiplying any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in its taxation year after 30 June 1992 and the number of days in its taxation year, and";

iii. as if subparagraph ii of subparagraph *d* of the first paragraph thereof were replaced by the following subparagraph:

"ii. 0.15 % of the product obtained by multiplying any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in the person's taxation year after 30 June 1992 and the number of days in the person's taxation year;";

iv. as if subparagraph i of subparagraph *a* of the second paragraph thereof were replaced by the following subparagraph:

"i. 0.35 % of the product obtained by multiplying its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to section 1141.3, by the ratio between the number of days in its taxation year after 30 June 1992 during which it was a financial institution and the number of days in its taxation year, and";

v. as if subparagraphs i and ii of subparagraph *b* of the second paragraph thereof were replaced by the following subparagraphs:

"i. 0.15 % of the product obtained by multiplying any premium payable in respect of which tax is to be paid in the year under Book II of Part VI by the ratio between the number of days in its taxation year after 30 June 1992 during which it was a financial institution and the number of days in its taxation year,

"ii. 0.15 % of the product obtained by multiplying any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in its taxation year after 30 June 1992 during which it was a financial institution and the number of days in its taxation year, and";

vi. as if subparagraph ii of subparagraph *d* of the second paragraph thereof were replaced by the following subparagraph:

"ii. 0.15 % of the product obtained by multiplying any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in its taxation year after 30 June 1992 during which it was a financial institution and the number of days in its taxation year;";

vii. as if the third paragraph thereof were replaced by the following paragraph:

"For the purposes of the second paragraph, where a person is a financial institution at any time after 30 June 1992, it is deemed to be such an institution throughout the period commencing on that date and ending on the last day of its taxation year.";

(*b*) section 1159.4 of the Taxation Act, enacted by this section, shall read

i. as if the first paragraph thereof were replaced by the following paragraph:

"**1159.4** Where, at any time in a taxation year, a corporation is deemed to be a financial institution by reason of the election made by the corporation under subsection 1 of section 150 of the Excise Tax Act (Statutes of Canada), or a savings and credit union is deemed to have made such an election under subsection 6 of the said section, and, after 30 June 1992, for the part or parts of the year, as the case may be, during which the corporation or savings and credit union was a financial institution, the value of its supplies that are financial services is less than 90 % of the value of the aggregate of its supplies, the amount of the compensation tax is the amount determined by the formula

$$A \times \frac{B}{C}.";$$

ii. as if subparagraphs *b* and *c* of the second paragraph thereof were replaced by the following subparagraphs:

"(*b*) B is the value of the supplies of the corporation or the savings and credit union, as the case may be, that are financial services for the part or parts of the year, as the case may be, after 30 June 1992 during which it was a financial institution, and

"(*c*) C is the value of the aggregate of the supplies of the corporation or the savings and credit union, as the case may be, for the part or parts of the year, as the case may be, after 30 June 1992 during which it was a financial institution."

(3) This section, where it enacts sections 1159.10, 1159.11 and 1159.13 to 1159.16 of the Taxation Act, applies in respect of instalments to be made after 30 June 1992. However, where sections 1159.15 and 1159.16 of the said Act, enacted by this section, apply to taxation years of a corporation that commence before 7 March 1992, the reference therein to "10 %" shall read as a reference to "5 %".

(4) Where section 1027 of the Taxation Act applies to Part IV.1 of the said Act, enacted by this section, it shall read, for the first two taxation years of a corporation ending after 30 June 1992, as though the provisions of the said Part IV.1 had applied for the purposes of the determination of the first and second basic provisional accounts of the corporation.

(5) This section, where it enacts sections 1159.17 and 1159.18 of the Taxation Act, applies in respect of amounts to be paid with respect to an insurance contract entered into after 30 June 1992.

147. (1) The said Act is amended by inserting, before section 1166, the following headings:

"BOOK I

"DEFINITIONS".

(2) This section applies in respect of amounts paid after 14 May 1992 under an uninsured employee benefit plan.

148. (1) Section 1166 of the said Act is replaced by the following section:

"**1166.** In this Part, unless the context indicates otherwise,

"amount allocated to the payment of a benefit" means the aggregate of benefits, other than benefits derived from a fund of an uninsured employee benefit plan, paid, in a taxation year, under an uninsured employee benefit plan, to the beneficiaries under the plan;

"carrying on business in Québec" means exercising any of the corporate rights, powers or objects of a corporation therein, owning any property therein or having an establishment therein within the meaning of section 1;

"contribution" includes assessments, premium deposits, registration fees and any other compensation in respect of an uninsured employee benefit plan;

"corporation" has the meaning assigned by section 1;

"fiscal period" has the meaning assigned by section 1;

"fund of an uninsured employee benefit plan" means the aggregate of contributions, other than an amount described in the second paragraph, paid in a taxation year under an uninsured employee benefit plan, if the aggregate of contributions paid during any month in that year exceeds the amount required to pay the foreseeable benefits payable in that month and within 30 days after the end of that month;

"insurance corporation" means any insurance corporation, within the meaning of section 1, and includes any association or group of persons carrying on such a business and any person, trust, association or group of persons administering an uninsured employee benefit plan or paying any amount into a fund of an uninsured employee benefit plan;

"month" means, where a taxation year commences on a day in a calendar month other than the first day of the month, any period commencing on that day in any calendar month within the taxation year, other than the month in which the year ends, and ending on the day immediately preceding that day in the calendar month following that month or, for the month in which the taxation year ends, on the day on which the taxation year ends, or where there is no such immediately preceding day in the following month, on the last day of that month;

"premium" means

(*a*) any amount payable as consideration for an insurance contract including the first premium and every other premium payable subsequently under such contract;

(*b*) premium deposits, assessments, registration fees, contributions of members and any other compensation given to benefit by an insurance contract;

"taxable premium" means a fund of an uninsured employee benefit plan and an amount allocated to the payment of a benefit;

"taxation year" has the meaning assigned by section 1;

"uninsured employee benefit plan" means a plan which gives protection against a risk that could otherwise be obtained by taking out a policy of personal insurance, whether the benefits are partly insured or not.

The following amounts are assimilated to taxable premiums:

(*a*) the amount of the administration costs in respect of an uninsured employee benefit plan paid to the person administering the uninsured employee benefit plan;

(*b*) the amount of the interest costs in respect of taxable premiums;

(*c*) the amount paid to make up a deficit relating to an uninsured employee benefit plan, whether or not it is in force at the time of the payment."

(2) This section applies in respect of amounts paid after 14 May 1992 under an uninsured employee benefit plan.

149. (1) The said Act is amended by inserting, after section 1166, the following headings:

"BOOK II

"INSURANCE".

(2) This section applies in respect of amounts paid after 14 May 1992 under an uninsured employee benefit plan.

150. (1) The said Act is amended by inserting, before section 1174, the following:

"BOOK III

"UNINSURED EMPLOYEE BENEFIT PLAN

"**1173.1** Every insurance corporation carrying on business in Québec shall pay, as tax on capital, for every taxation year, on every

taxable premium paid in the year to the corporation or its agent in respect of a person resident in Québec at the time of payment, a tax equal to 2 % of the taxable premium.

Where a taxable premium in respect of a particular uninsured employee benefit plan is not paid to an insurance corporation, that premium is deemed to be paid to the corporation that pays the premium in respect of the uninsured employee benefit plan.

In no case may the amount of the tax determined under the first paragraph be less than $300.

"**1173.2** The tax provided for in this Book does not apply

(*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 that is income from an office or employment for which a contribution established under the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001), the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5) or the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is paid; or

(*b*) to any taxable premium which, after being paid to another insurance corporation, is a premium or another taxable premium, in the year or in any subsequent taxation year, in respect of which a tax is payable under this Part.

"BOOK IV

"MISCELLANEOUS PROVISIONS

"**1173.3** Where an insurance corporation is required to pay, for a 12-month period ending in a taxation year, an amount determined under the second paragraph of section 1167 and, for that taxation year, the amount determined under the third paragraph of section 1173.1, the aggregate of all amounts payable under the said paragraphs shall be equal to $300.

"**1173.4** For the purposes of this Part and sections 1000 to 1029 and 1030 to 1079.16, where those sections apply to this Part by reason of section 1175, an insurance corporation that is not a corporation is deemed to be a corporation and, for the purposes of Book III, its fiscal period is deemed to be its taxation year."

(2) This section, except where it enacts section 1173.4 of the Taxation Act, applies in respect of amounts paid after 14 May 1992 under an uninsured employee benefit plan.

(3) This section, where it enacts section 1173.4 of the Taxation Act, applies, to the extent that the said section applies for the purposes of Book III of Part VI of the said Act, in respect of amounts paid after 14 May 1992 under an uninsured employee benefit plan.

151. (1) The said Act is amended by inserting, after section 1174, the following sections:

"**1174.0.1** Section 1174 does not apply to Book III, except in respect of a prescribed insurance corporation or a prescribed taxable premium.

"**1174.0.2** Notwithstanding section 1174, where an insurance corporation is a fraternal benefit society, it is exempt from the tax payable under this Part only in respect of payable premiums other than premiums with respect to a life insurance business."

(2) This section, where it enacts section 1174.0.1 of the Taxation Act, applies in respect of amounts paid after 14 May 1992 under an uninsured employee benefit plan.

(3) This section, where it enacts section 1174.0.2 of the Taxation Act, applies to 12-month periods of a fraternal benefit society ending after 14 May 1992, in respect of premiums payable after that date.

152. Section 1175 of the said Act is replaced by the following section:

"**1175.** Except where inconsistent with this Part, sections 1000 to 1029 and 1030 to 1079.16 apply to this Part, with such modifications as the circumstances require."

153. (1) The Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by inserting, after section 12.2, the following section:

"**12.3** Any recovery measure provided for by a fiscal law or any remedy before a court of competent jurisdiction for the collection of an amount which any person is liable to pay under such a law remains valid and operative notwithstanding any change in that amount following the issue of a notice of a new assessment, up to the lesser of the original amount of the debt and the new amount of the debt.

Where the new amount of the debt is greater than the original amount thereof, the Minister may, in order to collect such excess amount, use any recovery measure provided for by a fiscal law or introduce any remedy before a court of competent jurisdiction."

(2) This section applies in respect of tax debts the amounts of which are changed after 14 May 1992.

154. (1) Section 35.3 of the said Act is replaced by the following section:

"**35.3** Any person contemplated in this division who fails, in respect of a taxation year, to file a fiscal return in prescribed form and within the time prescribed in section 1000 of the Taxation Act (R.S.Q., chapter I-3) shall keep the registers, books of account and vouchers relating to that year for six years after the date he has filed his fiscal return for that year."

(2) This section applies to taxation years ending after 30 June 1992.

155. (1) Section 59.2 of the said Act, amended by section 588 of chapter 67 of the statutes of 1991 and section 15 of chapter 31 of the statutes of 1992, is again amended by replacing the second paragraph by the following paragraph:

"Notwithstanding the foregoing, the penalty does not apply in the case of an amount that was required to be paid under any of sections 1018, 1025 to 1029 or 1159.11 of the Taxation Act (R.S.Q., chapter I-3)."

(2) This section applies in respect of instalments that a person, within the meaning of section 1159.1 of the Taxation Act, is required to make after 30 June 1992.

156. (1) Section 61 of the said Act, amended by section 17 of chapter 31 of the statutes of 1992, is replaced by the following section:

"**61.** Every person who contravenes section 20, subsection 1 or 2 of section 34, any of sections 35 to 35.5, 38, 39 and 43 or section 1015 or 1159.10 of the Taxation Act (R.S.Q., chapter I-3) or section 59 or 63 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is guilty of an offence and liable, in addition to any other penalty provided in this Act, to a fine of $800 to $10 000 or to both the fine and imprisonment for a term not exceeding six months."

(2) This section applies in respect of instalments that a person, within the meaning of section 1159.1 of the Taxation Act, is required to make after 30 June 1992.

157. (1) Section 7.1 of the Act respecting real estate tax refund (R.S.Q., chapter R-20.1), replaced by section 221 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**7.1** The amount equivalent to essential needs contemplated in section 7 is equal to the aggregate of $290 each for the person contemplated in section 2 and his spouse during the year, where such is the case."

(2) This section applies in respect of the computation of real estate tax refunds for the year 1993 and for subsequent years.

158. (1) Section 8 of the said Act, replaced by section 222 of chapter 1 of the statutes of 1992, is again replaced by the following section:

"**8.** The amount in excess mentioned first in section 7 must not be greater than $1 285."

(2) This section applies in respect of the computation of real estate tax refunds for the year 1993 and for subsequent years.

159. (1) Section 10 of the said Act, amended by section 224 of chapter 1 of the statutes of 1992, is again amended

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

"(*a*) $7 860 if the person contemplated in section 2 has a spouse and a dependent person during the year;";

(2) by replacing that part of subparagraph *b* of the first paragraph preceding subparagraph 1 by the following:

"(*b*) $6 680 if the person contemplated in section 2";

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

"(*c*) $5 585 if the person contemplated in section 2 is not contemplated in subparagraphs *a* and *b* and has a dependent person during the year;".

(2) This section applies in respect of the computation of real estate tax refunds for the year 1993 and for subsequent years.

160. Section 14.2 of the said Act, amended by section 225 of chapter 1 of the statutes of 1992, is again amended by replacing the first paragraph by the following paragraph:

"**14.2** The amounts of $7 860, $6 680, $5 585 and $4 000 mentioned in section 10 shall be indexed annually so that each of these amounts to be used for a year subsequent to the year 1993 becomes that obtained by adding to that amount the amount obtained by multiplying by the same ratio as that prescribed for the purposes of section 752.0.20 of the Taxation Act (R.S.Q., chapter I-3) for the taxation year contemplated therein corresponding to that subsequent year, the amount that would have been applicable for that subsequent year but for this section."

161. (1) Section 2 of the Fuel Tax Act (R.S.Q., chapter T-1), amended by section 609 of chapter 67 of the statutes of 1991, is again amended by replacing subparagraph *b* of the fourth paragraph by the following subparagraph:

"(*b*) fix the percentage of the reduction and, in the case of a border region, fix a separate percentage where such a region is borders on an American State;".

(2) This section has effect from 15 May 1992.

162. Section 56 of the said Act, amended by section 615 of chapter 67 of the statutes of 1991, is again amended by adding, after the fourth paragraph, the following paragraph:

"Notwithstanding the first paragraph, regulations made in the year 1993 under this Act in respect of the tax reduction in border regions referred to in the second paragraph of section 2 may, once published and if they so provide, apply from 15 May 1992."

163. (1) Section 85 of the Act to amend the Taxation Act and other legislation and to make certain provisions respecting retail sales tax (1989, chapter 5) is amended

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

"(2) This section applies from the taxation year 1988. However,

(*a*) subject to subsection 3, where paragraph *b* of section 695 of the Taxation Act, repealed by this section, applies to the taxation years 1986 and 1987 of an individual, it shall read as follows:

"(*b*) $4 560 for the taxation year 1986 and $4 830 for the taxation year 1987, for each person contemplated in subparagraph i of paragraph *c* who, during the year, is 21 years of age or over and dependent on the individual by reason of mental or physical infirmity;";

(*b*) subject to subsection 3, where subparagraphs iii to v of paragraph *c* of section 695 of the Taxation Act, repealed by this section, apply to the taxation years 1986 and 1987 of an individual, they shall read as follows:

"iii. who is dependent on the individual during the year and ordinarily lives with him or who, during the year, is dependent on the individual by reason of mental or physical infirmity, and

"iv. in respect of whom the individual does not make any deduction under paragraph *b*;";

(*c*) where section 709 of the Taxation Act, repealed by this section, applies to the taxation year 1987, it shall read as though the following paragraph were added after paragraph *h*:

"(*i*) an amount received out of or under a prescribed provincial retirement plan.";

(2) by adding, after subsection 2, the following subsection:

"(3) Paragraphs *a* and *b* of subsection 2 apply only if the individual contemplated therein applies therefor in writing to the Minister of Revenue on or before the date on or before which he is required to file his fiscal return under section 1000 of the Taxation Act for his taxation year ending after 31 December (*insert here the year of assent to this Act*), or should so file if tax were payable by him for that year under Part I of the said Act, in which case, notwithstanding section 1010 of the said Act and for the sole purpose of giving effect to the application, such assessments of tax, interest and penalties as are necessary shall be made by the Minister, and the second and third paragraphs of section 1060.1 and section 1066.2 of the said Act apply to those assessments, with such modifications as the circumstances require."

(2) This section has effect from 6 April 1989.

164. Section 1 of the Act respecting the Québec sales tax and amending various fiscal legislation (1991, chapter 67), amended by section 372 of chapter 21 of the statutes of 1992, is again amended

(1) by inserting, after the definition of "consumer", the following definition:

" "corporeal movable property" includes electricity and gas;";

(2) by replacing the definitions of the expressions "consideration fraction" and "tax fraction" by the following definitions:

" "consideration fraction" means

(1) 100/108 where it relates to a supply in respect of which the applicable rate of the tax is 8 %;

(2) 100/104 where it relates to a supply in respect of which the applicable rate of the tax is 4 %;

"tax fraction" means

(1) 8/108 where it relates to property or a service in respect of which the applicable rate of the tax is 8 %;

(2) 4/104 where it relates to property or a service in respect of which the applicable rate of the tax is 4 %;";

(3) by inserting, after the definition of the expression "place of amusement" and the definition of "residential unit held in co-ownership", respectively, the following definitions:

" "pleasure vehicle" has the meaning assigned by section 1 of the Fuel Tax Act (R.S.Q., chapter T-1);

"road vehicle" has the meaning assigned by section 4 of the Highway Safety Code (R.S.Q., chapter C-24.2);";

(4) by replacing the definition of the expression "passenger vehicle" by the following definition:

" "passenger vehicle" has the meaning assigned by section 1 of the Taxation Act (R.S.Q., chapter I-3), but does not include a road vehicle in respect of which a registrant may not claim an input tax refund by reason of paragraph 1 of section 206.1."

165. Section 16 of the said Act is amended by inserting, after the first paragraph, the following paragraph:

"Notwithstanding the first paragraph, the rate of the tax is 4 % in respect of the supply of incorporeal movable property or an immovable or service, other than

(1) the supply of a telephone service;

(2) the supply of a telecommunication or a telecommunication service in respect of which the tax prescribed by the Telecommunications Tax Act (R.S.Q., chapter T-4) would apply but for section 14 of the said Act."

166. Section 17 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**17.** Every person who brings into Québec corporeal property for consumption or use in Québec by the person or at his expense by another person shall, immediately after arrival of the property in Québec, pay to the Minister a tax equal to 8 % of the value of the property, except in the case of an immovable, in which case the tax shall be equal to 4 % of its value."

167. The said Act is amended by inserting, after section 17, the following sections:

"**17.1** For the purposes of section 17, where a person brings into Québec a road vehicle (in this section referred to as the "road vehicle brought") that must be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) following an application by the person and which the person acquired by way of a supply made outside Québec by a supplier of another jurisdiction, the value of the vehicle on which the tax under the said section must be calculated shall be reduced by any credit granted by the supplier for another road vehicle he accepted in full or partial consideration for the supply of the road vehicle brought, where the following conditions are met:

(1) the person owned the road vehicle thus given in exchange and paid, in respect of the vehicle, tax under this Act or the tax prescribed by Chapter II of the Retail Sales Tax Act (R.S.Q., chapter I-1), or any tax of the same nature levied by another jurisdiction, other than the tax payable under Part IX of the Excise Tax Act (Statutes of Canada);

(2) the road vehicle thus given in exchange was a used vehicle and, where tax was paid under this Act in respect of that vehicle, section 206.2 did not apply to it;

(3) the jurisdiction in which the supply of the road vehicle brought was made grants the same tax abatement to persons resident or carrying on a business in its territory;

(4) the supplier of the road vehicle brought is registered under Division I of Chapter VIII.

"**17.2** Notwithstanding section 17, a prescribed person who temporarily brings into Québec a prescribed road vehicle in respect of which a registrant who acquired it could not claim an input tax refund by reason of section 206.1 shall, for every prescribed period during which the vehicle remains in Québec, pay to the Minister, at the time prescribed, tax in respect of the vehicle equal to 1/36 of the prescribed value of the vehicle.

"**17.3** Notwithstanding section 17, where a person to whom section 3 of the Fuel Tax Act (R.S.Q., chapter T-1) applies and who is required to hold a registration certificate under the said Act, brings into Québec fuel supplied to him outside Québec and contained in a tank feeding the engine of a road vehicle, other than a pleasure vehicle, in respect of which a registrant who acquired it could not claim an input tax refund by reason of section 206.1, the person shall pay to the Minister tax in respect of the part of the fuel used in Québec equal to 8 % of the value of the consideration for the supply attributable to that part of the fuel.

The person shall pay tax in respect of the fuel referred to in the first paragraph at the same time as that prescribed by the Fuel Tax Act (R.S.Q., chapter T-1)."

168. Section 18 of the said Act is amended

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

"**18.** Every recipient of a taxable supply of incorporeal movable property or a service that is made outside Québec shall pay to the Minister a tax in respect of the supply, calculated at the rate provided for in the second paragraph on the basis of the value of the consideration for the supply, if the recipient is resident in Québec and may reasonably be regarded as having received the property or service for use in Québec otherwise than exclusively in the course of a commercial activity.";

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

"The rate of tax to which the first paragraph refers is the rate that would be applicable in respect of the supply under section 16 if the supply were made in Québec."

169. The said Act is amended by inserting, after section 20, the following section:

"**20.1** A supply, other than a non-taxable supply, made otherwise than in the course of a commercial activity, of a road vehicle

that must be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) following an application by the recipient of the supply is deemed to be a taxable supply."

170. The said Act is amended by inserting, after section 30, the following section:

"**30.1** A supply of a telecommunication line by way of lease, licence or similar arrangement is deemed to be the supply of a telecommunication service."

171. Section 34 of the said Act is amended by adding, at the end, the following paragraph:

"However, where the supply of the particular property or service is a taxable supply in respect of which the applicable rate of the tax is 4 % and the supply of the other property or service is a supply in respect of which the applicable rate of the tax would be 8 % but for the first paragraph, the first paragraph does not apply for the purpose of determining the tax payable in respect of the supply of the particular property or service and the tax payable in respect of the supply of the other property or service."

172. The said Act is amended by inserting, after section 34, the following sections:

"**34.1** Section 34 does not apply for the purpose of determining the input tax refund of a registrant in respect of the particular property or service or the other property or service referred to in the said section, where, but for the said section, the registrant would not be entitled to claim such a refund in respect of the other property or service by reason of section 206.1.

"**34.2** Section 34 does not apply for the purpose of determining the refund to which an organization is entitled under section 386 in respect of the particular property or a service or the other property or service referred to in section 34, where, but for the said section, the organization, were it a registrant, would not be entitled to claim an input tax refund in respect of the other property or service by reason of section 206.1.

"**34.3** Notwithstanding section 34, where a supply of corporeal movable property is made under an agreement and, in accordance with the agreement, the supply of the corporeal movable property is made together with the supply of a service, the following rules apply:

(1) the supply of the service is deemed to form part of the supply of the corporeal movable property;

(2) the value of the consideration for the supply of the corporeal movable property shall include the value of the consideration for the supply of the service.

The first paragraph does not apply in respect of the supply of an installation service that is made together with the supply of corporeal movable property made otherwise than by way of lease, licence or similar arrangement, if the consideration for the supply of the service is indicated separately in a written agreement or, failing such an agreement, on an invoice, so as not to be confused with any other consideration."

173. The said Act is amended by inserting, after section 52, the following section:

"**52.1** Where a registrant accepts in full or partial consideration for the supply of a road vehicle that must be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) following an application by the recipient of the vehicle another road vehicle (in this section referred to as the "exchanged road vehicle") the value of the consideration for the supply shall be reduced by the credit granted by the registrant to the recipient for the exchanged road vehicle, where the following conditions are met:

(1) the exchanged road vehicle is a used vehicle, is owned by the recipient and is registered under the said Code or a law of another jurisdiction;

(2) the supply of the exchanged road vehicle to the registrant is a non-taxable supply.

This section does not apply where

(1) paragraph 10 of section 178 or section 206.2 applies to the exchanged road vehicle; or

(2) the recipient acquired the exchanged road vehicle by way of a non-taxable supply."

174. Section 55 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply where the supplier of the property or service, by reason of section 206.1, is not entitled to include, in

determining an input tax refund, an amount in respect of the tax payable by him in respect of the property or service or, if the supplier is an organization referred to in section 386, would not be entitled to include such an amount were it a registrant."

175. The said Act is amended by inserting, after section 55, the following section:

"**55.1** The Minister may determine the value of the consideration for the taxable supply of property or a service on which the tax must be calculated if either

(1) the supply is not a supply in respect of which section 55 applies, or would apply, but for its second paragraph, and if

(*a*) the supply is made for no consideration, or

(*b*) the value of the consideration for the supply of the property or service is less than the fair market value of the property or service; or

(2) the consideration for the supply of the property or service

(*a*) is not shown on the invoice or on any other document recording the supply, or

(*b*) is combined with the consideration for any other supply that is not a taxable supply other than a zero-rated supply."

176. Section 73 of the said Act is amended

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

"(*b*) to have paid, at that time, tax in respect of the supply equal to the amount obtained by multiplying the amount of the rebate by the tax fraction relating to the property or service in respect of which the rebate is paid;";

(2) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the tax fraction relating to the property or service in respect of which the rebate is paid;".

177. Section 75 of the said Act is amended by adding, at the end, the following paragraph:

"However, where the property supplied includes property in respect of which the recipient cannot claim an input tax refund by reason of section 206.1, this section applies in respect of the latter property only if the recipient continues to carry on the business in which that property was used immediately before the supply."

178. The said Act is amended by inserting, after section 79, the following section:

"**79.1** No tax is payable in respect of the supply of a road vehicle of a deceased individual, which road vehicle must be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) following an application by the recipient of the vehicle, if the supply is made by the personal representative of the deceased individual in accordance with his will or the laws relating to the transmission of property on death."

179. The said Act is amended by inserting, after section 80, the following sections:

"**80.1** No tax is payable in respect of the supply by way of gift of a road vehicle that must be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) following an application by the recipient of the vehicle.

"**80.2** No tax is payable in respect of the supply of a telecommunication service to a person operating a telecommunication service if the service is to be used directly and solely for the purpose of making a taxable supply, other than a zero-rated supply, of another telecommunication service by that person."

180. Section 81 of the said Act is amended

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

"(1) goods that are classified under heading No. 98.01, 98.02, 98.03, 98.04, 98.05, 98.06, 98.07, 98.10, 98.11, 98.12, 98.13, 98.14, 98.15, 98.16, 98.19 or 98.21 of Schedule I to the Customs Tariff (Statutes of Canada), to the extent that the goods are not subject to duty under that Act, but not including goods that are classified under tariff item No. 9804.30.00 and road vehicles, other than pleasure vehicles, classified under tariff item No. 98.01 in respect of which a registrant who acquired them could not claim an input tax refund by reason of section 206.1;

"(2) goods from Canada outside Québec that would, with such modifications as are required, be goods classified under any of the

numbers mentioned in paragraph 1 if they were from outside Canada, but not including goods that would be classified under tariff item No. 9804.10.00, 9804.20.00, 9804.30.00 or 9804.40.00 and road vehicles, other than pleasure vehicles, that would be classified under tariff item 98.01 and in respect of which a registrant who acquired them could not claim an input tax refund by reason of section 206.1;";

(2) by replacing paragraph 8 by the following paragraph:

"(8) goods, other than prescribed goods, that are sent to the recipient of the supply of the goods at an address in Québec by mail or courier, within the meaning of paragraph 1 of section 2 of the Customs Act (Statutes of Canada), that are from outside Canada and the value of which is not more than $20;".

181. The said Act is amended by inserting, after section 82, the following section:

"**82.1** Notwithstanding section 82, tax under section 16 in respect of a supply referred to in section 20.1 is payable at the time the supply is made."

182. Section 141 of the said Act is amended

(1) by replacing paragraph 5 by the following paragraph:

"(5) corporeal property that was acquired, manufactured or produced by the charity for the purpose of making a supply of the property and was neither donated to the charity nor used by another person before its acquisition by the charity, or any service supplied by the charity in respect of such property, other than such property or such a service supplied by the charity under a contract for the supply of food or beverages as caterer including catering;";

(2) by replacing paragraph 7 by the following paragraph:

"(7) property or a service made by the charity under a contract for the supply of food or beverages as caterer including catering, for an event or occasion sponsored or arranged by another person who contracts with the charity for such supply;".

183. Paragraph 1 of section 194 of the said Act is amended by adding, after subparagraph *c*, the following subparagraph:

"(*d*) the continuous journey begins at the Gatineau airport by an air transportation service and the termination of the journey is in Canada;".

184. The said Act is amended by inserting, after section 206, the following sections:

"**206.1** In determining an input tax refund of a registrant, no amount shall be included in respect of the tax payable by the registrant in respect of the supply or bringing into Québec of the following property or services:

(1) a road vehicle that must be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) or a law of another jurisdiction;

(2) the motive fuel acquired or brought to power the engine of a road vehicle in respect of which

(*a*) paragraph 1 applies, or would apply if the vehicle were acquired, or brought into Québec, after 30 June 1992; or

(*b*) section 243.1, the third paragraph of section 252 or section 253.1 applied;

(3) electricity, gas, combustibles or steam;

(4) a telephone service;

(5) a telecommunication service or any telecommunication in respect of which the tax prescribed by the Telecommunications Tax Act (R.S.Q., chapter T-4) would apply but for section 14 of that Act;

(6) the food, beverages or entertainment in respect of which sections 421.1 to 421.4 of the Taxation Act (R.S.Q., chapter I-3) apply, or would apply if the registrant were a taxpayer under that Act, during a taxation year of the registrant.

"**206.2** Paragraph 1 of section 206.1 does not apply where

(1) the road vehicle is acquired, or brought into Québec, to be used only elsewhere than on public highways within the meaning of the Highway Safety Code (R.S.Q., chapter C-24.2) and is registered as a vehicle to be used exclusively on private land or roads and not intended for public highways, or its registration certificate provides for such use; or

(2) the road vehicle is a farm tractor or farm machinery acquired, or brought into Québec, for use exclusively in the operation of a farm by a farmer or a sugar bush by a maple sugar producer.

"**206.3** Paragraph 3 of section 206.1 does not apply in respect of property referred to in that paragraph, where the exemption

provided for in paragraph *aa* of section 17 of the Retail Sales Tax Act (R.S.Q., chapter I-1) would apply in respect of such property but for section 49 of that Act.

For the purposes of the first paragraph, the expression "sales of electricity, gas or fuel" in paragraph *aa* of section 17 of the Retail Sales Tax Act (R.S.Q., chapter I-1) shall read as "sales of electricity, gas, combustibles or steam".

"**206.4** In determining an input tax refund of a registrant, no amount shall be included in respect of the tax payable by the registrant in respect of the supply, or bringing into Québec, of property or a service relating to a road vehicle if

(1) the vehicle is a vehicle to which paragraph 1 of section 206.1 applies, or would apply if the registrant had acquired it, or brought it into Québec, after 30 June 1992; and

(2) the supply or bringing into Québec of the property or service occurs within twelve months after the acquisition or bringing into Québec of the vehicle by the registrant.

"**206.5** Section 206.4 does not apply where

(1) the property or service relates to a road vehicle acquired or brought into Québec before 15 May 1992; or

(2) the property or service is supplied or brought into Québec as part of the maintenance or repair of the road vehicle."

185. Section 209 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply to a registrant who, by reason of section 206.1, is not entitled to include, in determining an input tax refund, an amount in respect of tax payable by the registrant in respect of the property."

186. Section 211 of the said Act is amended

(1) by replacing that part preceding paragraph 1 by the following:

"**211.** A person is deemed to have received a taxable supply and to have paid, at the time the allowance referred to in paragraph 1 is paid, tax in respect of the supply equal to the tax fraction, determined in accordance with section 211.1, of the allowance where";

(2) by adding the following paragraph:

"This section does not apply where the allowance relates to property or a service in respect of which the person, if he acquired it, could not claim an input tax refund by reason of section 206.1."

187. The said Act is amended by inserting, after section 211, the following section:

"**211.1** For the purposes of the first paragraph of section 211, the tax fraction is,

(1) in the case of an allowance referred to in subparagraph *a* of subparagraph 1 of the first paragraph of the said section,

(*a*) 8/108 if the allowance is paid for supplies all or substantially all of which are supplies of property or services in respect of which the applicable rate of the tax is 8 %;

(*b*) 4/104 if the allowance is paid for supplies all or substantially all of which are supplies of property or services in respect of which the applicable rate of the tax is 4 %;

(*c*) if neither subparagraph *a* nor *b* applies to the allowance,

i. 8/108 for the portion of the allowance that is attributable to supplies of property or services in respect of which the applicable rate of the tax is 8 %;

ii. 4/104 for the portion of the allowance that is attributable to supplies of property or services in respect of which the applicable rate of the tax is 4 %;

(2) in the case of an allowance referred to in subparagraph *b* of subparagraph 1 of the first paragraph of the said section, 8/108."

188. Section 214 of the said Act is replaced by the following section:

"**214.** Section 213 does not apply to a registrant who acquires

(1) property by way of a non-taxable supply made by another registrant who claimed or is entitled to claim an input tax refund in respect of the property, or who could have claimed such a refund were it not for this section; or

(2) a road vehicle exempt from registration pursuant to paragraph 1 or 2 of section 15 of the Highway Safety Code (R.S.Q., chapter C-24.2) by way of a non-taxable supply."

189. Section 216 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply to a registrant who, by reason of section 206.1, is not entitled to include, in determining an input tax refund, an amount in respect of tax payable by the registrant in respect of the property."

190. Section 239 of the said Act is amended by replacing the part of the first paragraph which precedes subparagraph 1 by the following:

"**239.** For the purposes of subdivision 5, except sections 243.1, 252 and 253.1, where in any period beginning on the later of".

191. Section 241 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply in respect of an improvement to a road vehicle, if section 243.1 applied in relation to the vehicle."

192. Section 243 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply where section 243.1 applies."

193. The said Act is amended by inserting, after section 243, the following section:

"**243.1** Where a registrant acquired or brought into Québec a road vehicle for use as capital property primarily in commercial activities of the registrant and the registrant, at any time, begins to use the vehicle for any purpose which, by reason of paragraph 1 of section 206.1, would not entitle him to claim an input tax refund in respect of the vehicle if he acquired it at that time, the following rules apply:

(1) the registrant is deemed to have made a supply by way of sale of the vehicle for consideration equal to the fair market value of the vehicle at that time;

(2) the registrant is deemed to have collected at that time tax in respect of the supply, calculated on that consideration."

194. Section 244 of the said Act is replaced by the following section:

"**244.** Where a registrant makes a supply by way of sale of movable property that is capital property and, immediately before ownership of the property is transferred, the registrant was using the property otherwise than primarily in commercial activities of the registrant, the supply is deemed not to be a taxable supply, except where, in the case of a road vehicle, section 243.1 applied in respect of the vehicle."

195. Section 246 of the said Act is amended

(1) by replacing the period, at the end of paragraph 2, by the word "; or";

(2) by adding, after paragraph 2, the following paragraph:

"(3) a road vehicle in respect of which a registrant may not claim an input tax refund by reason of paragraph 1 of section 206.1 or any improvement to such a vehicle."

196. Section 249 of the said Act is amended by adding, after the second paragraph, the following paragraph:

"This section does not apply in respect of a passenger vehicle that is capital property used by the registrant before that time otherwise than exclusively in commercial activities of the registrant."

197. Section 251 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply in respect of an improvement to a passenger vehicle, if section 253.1 applied in relation to the vehicle."

198. Section 252 of the said Act is amended by adding, after the second paragraph, the following paragraph:

"This section ceases to apply in respect of a passenger vehicle if the registrant begins, at any time during a taxation year, to use the vehicle for any purpose which, by reason of paragraph 1 of section 206.1, would not entitle him to claim an input tax refund in respect of the vehicle if he acquired it at that time."

199. Section 253 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply where section 253.1 applies."

200. The said Act is amended by inserting, after section 253, the following section:

"**253.1** Where a registrant who is an individual or a partnership acquired or brought into Québec a passenger vehicle for use as capital property exclusively in commercial activities of the registrant and the registrant begins, at any time, to use the vehicle for any purpose which, by reason of paragraph 1 of section 206.1, would not entitle the registrant to claim an input tax refund in respect of the vehicle if the registrant acquired it at that time, the following rules apply:

(1) the registrant is deemed to have made a supply by way of sale of the vehicle for consideration equal to its fair market value at that time; and

(2) the registrant is deemed to have collected at that time tax in respect of the supply, calculated on that consideration."

201. Section 255 of the said Act is replaced by the following section:

"**255.** Where a registrant who is an individual or a partnership makes a supply at any time by way of sale of a passenger vehicle or an aircraft that is capital property that was used at any time before that time by the registrant otherwise than exclusively in commercial activities of the registrant, the supply is deemed not to be a taxable supply, except where, in the case of a passenger vehicle, the third paragraph of section 252 or section 253.1 applied in respect of the vehicle."

202. Section 279 of the said Act is amended by replacing the part of subparagraph *b* which precedes subparagraph i by the following subparagraph:

"(*b*) the percentage determined in the prescribed manner of the total of all amounts each of which is".

203. Section 287 of the said Act is replaced by the following section:

"**287.** Sections 285 and 286 do not apply where a registrant was, by reason of section 203, 205, 206 or 206.1, not entitled to include, in determining an input tax refund, an amount in respect of tax payable by the registrant in respect of property or a service appropriated to or for the benefit of the registrant or to or for the benefit of a shareholder, partner, beneficiary or member of the registrant or any individual related thereto."

204. Section 288 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply where section 288.2 applies."

205. The said Act is amended by inserting, after section 288, the following sections:

"**288.1** Where a registrant receives a non-taxable supply of property or a service and, at any time, begins to consume or use it for any purpose not referred to in the definition of the expression "non-taxable supply" which, by reason of section 206.1, would not entitle the registrant to claim an input tax refund in respect of the property or service if he acquired it at that time for consumption or use exclusively in commercial activities of the registrant, the following rules apply:

(1) the registrant is deemed to have made a supply of the property or service for consideration paid at that time equal to the fair market value of the property or service at that time;

(2) the registrant is deemed to have collected at that time tax in respect of the supply calculated on that consideration.

This section does not apply where section 288.2 applies.

"**288.2** Where a prescribed registrant receives a non-taxable supply of a road vehicle and, at any time in a particular month, uses it for any purpose not referred to in the definition of the expression "non-taxable supply" which, by reason of section 206.1, would not entitle the registrant to claim an input tax refund in respect of the vehicle if he acquired it at that time for use exclusively in commercial activities of the registrant, the following rules apply:

(1) the registrant is deemed to have made, on the last day of the particular month, a supply of the vehicle for consideration paid on that last day equal to the amount that is 2.5 % of the prescribed value of the vehicle;

(2) the registrant is deemed to have collected, on the last day of the particular month, tax in respect of the supply, calculated on that consideration."

206. The said Act is amended by inserting, after section 289, the following section:

"**289.1** Where a person acquires, by way of a supply otherwise than in the course of commercial activities, a road vehicle exempt from registration under the Highway Safety Code (R.S.Q., chapter C-24.2) by reason of the use made of the vehicle by the person and the person

begins, at any time, to use it for a purpose for which the road vehicle must be registered under the said Code, the person is deemed to have received a taxable supply of the road vehicle for consideration paid at that time equal to its fair market value at that time."

207. Section 290 of the said Act is amended

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

"(1) the amount by which the benefit amount exceeds the amount, if any, included in the benefit that may reasonably be attributed to tax imposed under the Retail Sales Tax Act (R.S.Q., chapter I-1) or tax imposed under an Act of the legislature of a province other than Québec or of the Northwest Territories or the Yukon Territory that is a prescribed tax for the purposes of section 52; and";

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

"This section does not apply where

(1) the registrant is, by reason of section 203, 205, 206 or 206.1, not entitled to include, in determining an input tax refund, an amount in respect of the tax payable by the registrant in respect of the property or service;

(2) the property or service is acquired or brought into Québec before 1 July 1992, but if it were acquired or brought after 30 June 1992, the registrant would not be entitled to claim an input tax refund in respect thereof by reason of section 206.1;

(3) the tax prescribed in Chapter II of the Retail Sales Tax Act (R.S.Q., chapter I-1) applies in respect of the property or service for the taxation year 1992; or

(4) the tax prescribed in Chapter II of the Retail Sales Tax Act (R.S.Q., chapter I-1) does not apply in respect of the property or service for the taxation year 1992, by reason of an exemption under Division III of that chapter."

208. Section 292 of the said Act is replaced by the following section:

"**292.** Section 290 does not apply in respect of

(1) a passenger vehicle or aircraft acquired by way of purchase by a registrant that is an individual or partnership where the passenger vehicle or aircraft is not used exclusively in commercial activities of the registrant;

(2) a passenger vehicle or aircraft acquired by way of purchase by a registrant other than an individual or partnership where the passenger vehicle or aircraft is not used primarily in commercial activities of the registrant;

(3) a passenger vehicle or aircraft in respect of which a registrant has made an election under section 293; or

(4) a road vehicle to which section 243.1 or 253.1 applied."

209. Section 325 of the said Act is amended by adding, at the end, the following paragraph:

"This section does not apply in respect of the supply by way of gift of a road vehicle that must be registered under the Highway Safety Code (R.S.Q., chapter C-24.2) following an application by the trust."

210. Section 334 of the said Act is amended by replacing the second paragraph by the following paragraph:

"This section does not apply in respect of

(1) a taxable supply by way of sale of an immovable;

(2) a supply of property or a service that is not for use, consumption or supply exclusively in commercial activities of the recipient of the supply;

(3) a supply of property or a service in respect of which the recipient may not claim an input tax refund by reason of section 206.1 and in respect of which

(*a*) the supplier was not required to pay the tax or the tax prescribed in Chapter II of the Retail Sales Tax Act (R.S.Q., chapter I-1); or

(*b*) the supplier has applied or is entitled to apply for a rebate of the tax or of the tax prescribed in Chapter II of the Retail Sales Tax Act (R.S.Q., chapter I-1);

(4) a supply of property or a service to an insurer who is a registrant and who acquires it for any of the purposes referred to in section 280;

(5) a supply of property or a non-financial service to a registrant who acquires it for the purposes referred to in section 281."

211. Section 343 of the said Act is amended by replacing the second paragraph by the following paragraph:

"Thereafter, the particular unincorporated organization is deemed to be a branch of the other organization and not to be a separate person, except as regards

(1) the purposes for which the particular unincorporated organization is deemed under section 339 to be a separate person;

(2) the supply, between the particular unincorporated organization and the other organization, of property or a service in respect of which the recipient may not claim an input tax refund by reason of section 206.1 and in respect of which

(*a*) the supplier was not required to pay the tax or the tax prescribed in Chapter II of the Retail Sales Tax Act (R.S.Q., chapter I-1); or

(*b*) the supplier has applied or is entitled to apply for a rebate of the tax or the tax prescribed in Chapter II of the Retail Sales Tax Act (R.S.Q., chapter I-1)."

212. Section 353 of the said Act is amended

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

"**353.** Notwithstanding subparagraph 4 of the third paragraph of section 351, a person who is not resident in Québec and who carries on a business outside Québec is entitled to a rebate of the tax paid by the person under section 16 in respect of a supply of fuel used in Québec to power a propulsion engine, if the person is entitled to a refund pursuant to the Fuel Tax Act (R.S.Q., chapter T-1) in respect of such fuel, or would be entitled to a refund if the fuel were subject to the said Act, provided the person applies therefor within the same period and on the same terms and conditions as provided in the said Act.";

(2) by adding, after the second paragraph, the following paragraph:

"This section does not apply in respect of fuel used to power a propulsion engine of a road vehicle in respect of which a registrant who acquired it would not be entitled to claim an input tax refund by reason of section 206.1."

213. Section 358 of the said Act is amended

(1) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the tax fraction relating to the property or service applicable on the last day of the calendar year;";

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

"(2) B is the amount deducted under the Taxation Act (R.S.Q., chapter I-3) in computing the individual's income for the year from the partnership or from employment, as the case may be, each of which is

(*a*) the part or amount prescribed under that Act of the capital cost of the automobile, aircraft or musical instrument; or

(*b*) the consideration or part thereof for the supply of the other property or service;";

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

"(3) C is the total of all the amounts included in the amount determined under subparagraph 2 in respect of which the individual received an allowance or rebate from any other person.";

(4) by adding, after the second paragraph, the following paragraph:

"This section does not apply to an individual who, if he were a registrant and acquired or brought into Québec such property or service for consumption or use exclusively in commercial activities of the registrant would not be entitled to claim an input tax refund in respect of the property or service by reason of section 206.1."

214. Section 359 of the said Act is amended by replacing subparagraph 1 of the second paragraph by the following subparagraph:

"(1) A is the tax fraction relating to the property or service applicable on the last day of the calendar year;".

215. Section 361 of the said Act is repealed.

216. Section 362 of the said Act is replaced by the following section:

"**362.** For the purposes of sections 362.1, 366 to 368 and 370, "individual" means one or more individuals who are entitled to a rebate under subsection 2 of section 254, 255 or 256 of the Excise Tax Act (Statutes of Canada) but only one of those individuals may apply for a rebate under any of those sections."

217. The said Act is amended by inserting, after section 362, the following:

"I.1.—General rule

"**362.1** An individual is entitled to a rebate of the tax under section 16 paid on the amount of the rebate to which he is entitled under subsection 2 of section 254 or 256 of the Excise Tax Act (Statutes of Canada) or to a rebate of 4 % of the amount of the rebate to which he is entitled under subsection 2 of section 255 of that Act."

218. Sections 363 to 365 of the said Act are repealed.

219. Section 366 of the said Act is amended

(1) by replacing the part preceding paragraph 1 by the following:

"**366.** The builder of a single unit residential complex or a residential unit held in co-ownership to which subsection 2 of section 254 of the Excise Tax Act (Statutes of Canada) applies may pay or credit to or in favour of the individual the amount of the rebate under section 362.1, if";

(2) by replacing paragraphs 2 to 4 by the following paragraphs:

"(2) the individual, within four years after the day ownership of the residential complex or unit was transferred to the individual under the agreement for the supply, submits to the builder in the manner prescribed by the Minister an application in prescribed form containing prescribed information for the rebate to which the individual would be entitled under section 362.1 in respect of the residential complex or unit if the individual applied therefor within the time allowed for such an application;

(3) the builder agrees to pay or credit to or in favour of the individual any rebate under section 362.1 that is payable to the individual in respect of the residential complex; and

(4) the tax payable in respect of the supply has not been paid at the time the individual submits an application to the builder for a rebate and, if the individual had paid the tax and made an application for a rebate, the rebate would have been payable to the individual under section 362.1."

220. Section 367 of the said Act is amended by replacing the part preceding paragraph 1 by the following:

"**367.** Notwithstanding section 362.1, where an application of an individual for a rebate under that section in respect of a single unit residential complex or a residential unit held in co-ownership is submitted under section 366 to the builder of the residential complex or unit,".

221. Section 368 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**368.** Where the builder pays or credits the amount of a rebate under subsection 2 of section 254 of the Excise Tax Act (Statutes of Canada) in respect of the residential complex or unit to or in favour of an individual under subsection 4 of that section, the builder shall pay or credit, pursuant to section 366, the amount of the rebate under section 362.1 in respect of the residential complex or unit to or in favour of the individual."

222. Section 369 of the said Act is repealed.

223. Sections 371 to 378 of the said Act are repealed.

224. Section 386 of the said Act is amended by replacing subparagraphs 2 to 4 of the first paragraph by the following subparagraphs:

"(2) 40 % for a municipality;

(3) 30 % for a school authority, a public college or a university;

(4) 19 % for a hospital authority."

225. The said Act is amended by inserting, after section 388, the following section:

"**388.1** A prescribed municipality is entitled, in addition to the rebate under section 386, to compensation, paid by the Minister at the prescribed time, in an amount equal to the amount prescribed for the years 1992 to 1996.

Such compensations are deemed to be repayments for the purposes of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31)."

226. The said Act is amended by inserting, after section 402, the following sections:

"§ 6.1.—*Fuel*

"**402.1** A person is entitled to a rebate of the tax paid by the person under section 16 in respect of a supply of fuel, if the person is entitled to a refund under subparagraph vii of paragraph *a* or subparagraph ii of paragraph *b* of section 10 of the Fuel Tax Act (R.S.Q., chapter T-1) in respect of the fuel, or would be entitled to such a refund if the fuel were subject to that Act, provided the person applies therefor within the same period and on the same terms and conditions as provided in that Act.

The rebate provided for in the first paragraph shall be computed by using the same proportion as that used for the purpose of computing the refund to which the person is entitled or would be entitled under the Fuel Tax Act (R.S.Q., chapter T-1).

"**402.2** A public carrier is entitled to a rebate of the tax paid by the carrier under section 16 or 17 in respect of fuel, if the carrier is entitled to a refund under section 10.1 of the Fuel Tax Act (R.S.Q., chapter T-1) in respect of the fuel, or would be entitled to such a refund if the fuel were subject to that Act, provided the carrier applies therefor within the same period and on the same terms and conditions as provided in that Act.

The rebate provided for in the first paragraph shall be computed by using the same proportion as that used for the purpose of computing the refund to which the public carrier is entitled or would be entitled under the Fuel Tax Act (R.S.Q., chapter T-1)."

227. Section 422 of the said Act is replaced by the following section:

"**422.** Every person who makes a taxable supply other than a supply referred to in section 20.1 shall, as mandatary of the Minister,

collect the tax payable by the recipient under section 16 in respect of the supply."

228. Section 439 of the said Act is replaced by the following section:

"**439.** Where tax under section 16 is payable by a person by reason of section 289 or 289.1, the person shall remit the tax to the Minister and file with and as prescribed by the Minister a return in respect of the tax in prescribed form containing prescribed information, on or before the last day of the month following the month in which the tax became payable."

229. Section 444 of the said Act is replaced by the following section:

"**444.** Where a particular person has made a taxable supply of property or a service, other than a zero-rated supply, in the course of a commercial activity for consideration to a person with whom the particular person was dealing at arm's length and has filed a return accounting for, and remitted tax under section 16 in respect of, the supply as required under this division, to the extent that it is established that the consideration and tax have become in whole or in part a bad debt, the particular person may, in determining the net tax for the reporting period of the particular person in which the bad debt is written off in the particular person's books of account or for a reporting period that ends within four years after the end of that period, deduct an amount equal to the amount obtained by multiplying the amount of the bad debt written off by the tax fraction relating to the property or service."

230. Section 446 of the said Act is replaced by the following section:

"**446.** Where a person recovers all or part of a bad debt in respect of which the person has made a deduction under section 444 or 445, the person shall, in determining the net tax for his reporting period in which the bad debt or part thereof is recovered, add an amount equal to the amount obtained by multiplying the amount of the bad debt or part thereof so recovered by the tax fraction applicable to the amount of the bad debt pursuant to section 444."

231. Section 453 of the said Act is amended by replacing the part of paragraph 1 which precedes subparagraph *a* by the following:

"(1) to have reduced, at that time, the total consideration for those supplies by an amount equal to the consideration fraction determined in accordance with section 453.1 of".

232. The said Act is amended by inserting, after section 453, the following section:

"**453.1** For the purposes of paragraph 1 of section 453, the consideration fraction is

(1) 100/108 where all of the taxable supplies in respect of which all or part of the patronage dividend is paid are supplies of property or services in respect of which the applicable rate of the tax is 8 %;

(2) 100/104 where all of the taxable supplies in respect of which all or part of the patronage dividend is paid are supplies of property or services in respect of which the applicable rate of the tax is 4 %;

(3) in every other case,

(*a*) 100/108 for the portion of the amount determined in respect of the patronage dividend that is attributable to supplies of property or services in respect of which the applicable rate of the tax is 8 %;

(*b*) 100/104 for the portion of the amount determined in respect of the patronage dividend that is attributable to supplies of property or services in respect of which the applicable rate of the tax is 4 %."

233. Section 458 of the said Act is repealed.

234. Section 459 of the said Act is replaced by the following section:

"**459.** Subject to sections 460, 460.1, 464, 466 and 467, the reporting period of a registrant or of a person who is not a registrant is a calendar month.

Notwithstanding the first paragraph, a registrant whose accounting period is not the calendar month may use a reporting period corresponding to that period, where the following conditions are met:

(1) the accounting system of the registrant comprises twelve periods;

(2) the periods end within seven days prior or subsequent to the last day of a particular calendar month;

(3) the periods comprise no fewer than 28 days and no more than 35 days.

A reporting period referred to in the second paragraph is deemed to end on the last day of the particular calendar month."

235. The said Act is amended by inserting, after section 460, the following section:

"**460.1** A registrant who carries on commercial activities consisting only in transporting passengers at prices regulated under the Act respecting transportation by taxi (R.S.Q., chapter T-11.1) and whose threshold amount for a particular calendar year does not exceed $4 280 may elect to make his reporting period a calendar quarter.

An election under the first paragraph

(1) shall be made in prescribed form containing prescribed information;

(2) shall be filed with and as prescribed by the Minister with the return that the registrant is required to file under this chapter for the reporting period immediately preceding the calendar year in which the election is to become effective;

(3) becomes effective on the first day of the particular calendar year."

236. Section 461 of the said Act is amended by replacing the part preceding paragraph 3 by the following:

"**461.** An election under section 460 or 460.1 remains in effect until the earliest of

(1) where the threshold amount of the registrant for a particular calendar year exceeds $1 000 in the case of an election under section 460 or $4 280 in the case of an election under section 460.1, the first day of that calendar year;

(2) where the threshold amount of the registrant for a particular month exceeds $1 000 in the case of an election under section 460 or $4 280 in the case of an election under section 460.1, the first day of that month; and".

237. Section 462 of the said Act is amended by replacing the part preceding subparagraph 1 of the first paragraph by the following:

"**462.** For the purposes of sections 460 to 461, the threshold amount of a registrant is equal to".

238. Section 463 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**463.** The Minister shall revoke, in writing, an election made by a registrant under section 460 or 460.1 where the registrant has filed with and as prescribed by the Minister a request, in prescribed form containing prescribed information, to do so."

239. Section 464 of the said Act is replaced by the following section:

"**464.** Where an election under section 460 or 460.1 ceases to be in effect because the threshold amount of the registrant for a particular month of the particular calendar year exceeds $1 000 in the case of an election under section 460 or $4 280 in the case of an election under section 460.1, the reporting period immediately preceding the particular month is deemed to be the period beginning on the first day of the particular calendar year in the case of an election under section 460 or the first day of the particular calendar quarter in the case of an election under section 460.1 and ending on the day preceding the day on which the election ceases to be in effect."

240. Section 465 of the said Act is replaced by the following section:

"**465.** Notwithstanding sections 460 and 460.1, where a registrant whose reporting period is the calendar year or the calendar quarter is required to collect tax under section 16 or collects an amount as or on account of that tax with respect to a supply of capital property by way of sale, the registrant shall remit the tax to the Minister and file with and as prescribed by the Minister a return relating to the tax, in prescribed form containing prescribed information, on or before the last day of the month following the month in which the tax became payable."

241. Section 473 of the said Act is replaced by the following section:

"**473.** Every person who is liable to pay tax under sections 17, 17.2 and 17.3 (in this section referred to as the "taxpayer") shall, at the time the tax becomes payable, file a return with the Minister or a prescribed person, in prescribed form containing prescribed information, and at the same time remit to the Minister or prescribed person the tax payable.

Notwithstanding sections 17, 17.2 and 17.3, where a taxpayer is required to file a return under section 468, the taxpayer shall, except where tax under section 17 is to be collected by a prescribed person, furnish in the return information relating to the bringing of the property into Québec and pay the tax upon filing the return under section 468."

242. The said Act is amended by inserting, after section 473, the following section:

"**473.1** Every person who is liable to pay tax under section 16 in respect of a supply referred to in section 20.1 shall, at the time of the supply, remit to the Minister or a prescribed person the tax payable in respect of the supply."

243. Section 628 of the said Act is amended by adding, after the second paragraph, the following paragraph:

"This section does not apply in respect of a supply of property to be used in Québec exclusively in commercial activities of the person and in respect of which the person would be entitled to claim an input tax refund if the person had paid tax under the first paragraph in respect of the property."

244. Section 640 of the said Act is amended by adding, after the second paragraph, the following paragraph:

"This section does not apply in respect of a supply of a service to be used in Québec exclusively in commercial activities of the person and in respect of which the person would be entitled to claim an input tax refund if the person had paid tax under the first paragraph in respect of the service."

245. (1) Section 659 of the said Act is amended by inserting, after subparagraph 1 of the second paragraph, the following subparagraph:

"(1.1) road vehicles of the person;".

(2) This section has effect from 1 July 1992.

246. (1) Section 664 of the said Act is amended by replacing paragraph 3 by the following paragraph:

"(3) the person takes possession of the residential complex for the first time after 30 June 1992 and before 1 January 1996;".

(2) This section has effect from 1 July 1992.

247. (1) Section 665 of the said Act is amended

(1) by replacing that part preceding paragraph 1 by the following:

"**665.** Subject to section 669, where the builder of a specified single unit residential complex makes a taxable supply of the residential complex by way of sale to an individual, the individual, or the builder by reason of section 683, is entitled to a rebate determined under section 666 where";

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

"(2) the individual takes possession of the residential complex for the first time after 30 June 1992 and before 1 January 1996; and";

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

"For the purposes of the first paragraph, the rebate may be granted to the builder only at the time of the transfer of possession of the residential complex."

(2) This section has effect from 1 July 1992.

248. (1) Section 666 of the said Act is amended

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

"(1) where the complex is at least 25 % but not more than 50 % completed on 1 July 1992 and possession is transferred before 1 October 1992, 50 % of the estimated tax for the complex,

"(2) where the complex is more than 50 % completed on 1 July 1992 and

(*a*) possession is transferred before 1 October 1992, 66 2/3 % of the estimated tax for the complex, or

(*b*) possession is transferred before 1 January 1993, 33 1/3 % of the estimated tax for the complex, or";

(2) by adding, after paragraph 2, the following paragraph:

"(3) where the complex is substantially completed on 1 July 1992 and possession is transferred after 1992 but before 1 January 1996, 33 1/3 % of the estimated tax for the complex."

(2) This section has effect from 1 July 1992.

249. The said Act is amended by inserting, after the heading of Division III of Chapter VI of Title VI of the said Act, the following subheading:

"§ 1.—*Total rebate*".

250. (1) Section 673 of the said Act is amended by replacing that part preceding subparagraph 1 of the first paragraph by the following:

"**673.** A supply to which this subdivision applies is a supply which meets the following conditions:".

(2) This section has effect from 25 October 1991.

251. The said Act is amended by inserting, after section 674, the following:

"§ 2.—*Partial rebate*

"**674.1** The recipient of a supply described in section 674.3 is entitled to obtain from the supplier a rebate of the amount paid by him which exceeds the amount he should have paid as tax in respect of such supply.

This section has effect from 15 May 1992 to 1 September 1992.

"**674.2** Where a person has made a supply referred to in section 674.1, he shall rebate to the recipient the amount paid by the recipient which exceeds the amount the recipient should have paid as tax in respect of the supply and keep evidence thereof. Following such rebate and to the extent that the amount has been remitted to the Minister, the person may

(1) deduct the amount from the amount to be remitted by the person to the Minister for the month under the Retail Sales Tax Act (R.S.Q., chapter I-1), the Broadcast Advertising Tax Act (R.S.Q., chapter T-2), the Telecommunications Tax Act (R.S.Q., chapter T-4) or this Act;

(2) where subparagraph 1 may not be applied, claim a refund of the amount from the Minister.

Where the supplier fails to rebate the amount to the recipient on or before 1 September 1992, the supplier shall, on or before 30

September 1992, make a report to the Minister and remit to him the amounts collected but not rebated.

This section has effect from 15 May 1992.

"**674.3** A supply to which this subdivision applies is a supply which meets the following conditions:

(1) tax under the Retail Sales Tax Act (R.S.Q., chapter I-1), the Broadcast Advertising Tax Act (R.S.Q., chapter T-2) or the Telecommunications Tax Act (R.S.Q., chapter T-4) does not apply to the property or service supplied;

(2) tax at the rate of 4 % is or will be payable in respect of the supply by reason of section 623, 627, 628, 639, 640, 652 or 685.

This section has effect from 15 May 1992.

"**674.4** For the purposes of sections 20, 24 to 26 and 27.1 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), an amount collected as tax in respect of a supply referred to in section 674.1 is deemed to have been collected under a fiscal law. Similarly, for the purposes of sections 21 and 21.1 of the said Act in respect of a person who has made a supply referred to in section 674.1, such an amount is deemed to have been collected under a fiscal law.

This section has effect from 15 May 1992."

252. Section 677 of the said Act is amended

(1) by inserting, after subparagraph 4 of the first paragraph, the following subparagraph:

"(4.1) determine, for the purposes of section 17.2, which persons are prescribed persons, which road vehicles are prescribed road vehicles and the prescribed period, time and value;";

(2) by replacing subparagraph 31 of the first paragraph by the following subparagraph:

"(31) determine, for the purposes of section 279, the prescribed manner and which registrants are prescribed registrants;";

(3) by inserting, after subparagraph 31 of the first paragraph, the following subparagraph:

"(31.1) determine, for the purposes of section 288.2, which registrants are prescribed registrants and the prescribed value;";

(4) by inserting, after subparagraph 40 of the first paragraph, the following subparagraph:

"(40.1) determine, for the purposes of section 388.1, the prescribed municipalities, time and amount;";

(5) by inserting, after subparagraph 50 of the first paragraph, the following subparagraph:

"(50.1) determine, for the purposes of section 473.1, the prescribed person;";

(6) by inserting, after subparagraph 60 of the first paragraph, the following subparagraph:

"(60.1) prescribe, for the purposes of Title I, the method for determining the tax in respect of property used in part outside Québec, notwithstanding any inconsistent provision of this Act;".

253. (1) Section 42 of the Act to amend the Taxation Act and other fiscal legislation (1992, chapter 1) is amended by replacing subsection 2 by the following subsection:

"(2) Paragraphs 2, 4 and 10 of subsection 1 apply in respect of share issues the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 2 May 1991."

(2) This section has effect from 18 March 1992.

254. (1) Section 178 of the said Act is repealed.

(2) This section has effect from 18 March 1992.

255. (1) Sections 64 to 66 of the Act respecting the Société québécoise de développement de la main-d'oeuvre (1992, chapter 44) are repealed.

(2) This section has effect from 23 June 1992.

256. Sections 164 to 244 and 252 apply in respect of a supply or bringing into Québec in respect of which section 685 or any of sections 618 to 656 of the Act respecting the Québec sales tax and amending various fiscal legislation (1991, chapter 67) applies.

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