



NATIONAL ASSEMBLY

FIFTH SESSION

THIRTY-SECOND LEGISLATURE

Bill 35

An Act to amend the Taxation Act and other fiscal legislation

Introduction

**Introduced by
Mr Maurice Martel
Minister of Revenue**



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EXPLANATORY NOTES

The main object of this bill is to bring about harmony between the fiscal legislation of Québec and that of Canada, and to follow up part of the Budget Speeches made on 10 May 1983 and 22 May 1984, the Supplementary Statement made on 15 November 1983 and the Ministerial Statement made on 19 December 1984 by the Minister of Finance.

The bill amends, first, the Retail Sales Tax Act, for the following objects:

(1) to not require a person who makes a retail sale by way of exception to hold a registration certificate;

(2) to specify that certain property purchased or leased outside Québec and subsequently used or consumed in Québec is subject to retail sales tax, and to specify its taxable value;

(3) to clarify and revise the rules respecting the liability for retail sales tax on property where there is a change in its use, and to specify its taxable value;

(4) to specify that the purchaser is required to pay the retail sales tax if it is not collected otherwise;

(5) to specify that a person who has work done by a contractor who has neither residence nor place of business in Québec and has no registration certificate is required to withhold a certain amount and to report what is done with the withheld amount;

(6) to broaden the exemptions under section 17 of the Act to include property brought into Québec or that is put to a new use;

(7) to clarify the notion of "aerated water", and

(8) to make a certain number of technical amendments.

Next, the bill amends the Taxation Act and the Act respecting the application of the Taxation Act to make amendments to them similar to those made to the Income Tax Act and the Income Tax Application rules,

1971 by Bill C-2 in the federal Parliament, which was assented to on 19 January 1984 (S.C. 1983-84, chapter 1) and to introduce fiscal mechanisms whereby market-makers working on the trading floor of the Montréal Exchange may establish a reserve account for contingent losses resulting from their stock transactions.

This bill also amends the *Licenses Act* in order to clarify what is meant by an "operator" at a "race meeting".

Further, the bill amends the Act respecting the *Ministère du Revenu*, in order

(1) to clarify the powers of the Minister in cases of real or personal security or of garnishment;

(2) to specify certain modalities relating to the Minister's power to make repayment or compensation;

(3) to introduce the notion of directors' liability where a corporation fails to remit duties it has deducted or withheld under a fiscal law;

(4) to give greater access, for certain purposes, to information obtained by the department in administering a fiscal law;

(5) to amend the rules respecting the liability of certain public servants of the department to prosecution;

(6) to modify and enlarge the Minister's powers regarding the reduction of a fiscal debt.

Finally, this bill amends the Act respecting the *Régie de l'assurance-maladie du Québec* and the Act respecting the *Québec Pension Plan* to make amendments for the sake of concordance following the introduction into the Taxation Act of certain fiscal mechanisms for the intention of market-makers.

ACTS AMENDED BY THIS BILL

- (1) The Retail Sales Tax Act (R.S.Q., chapter I-1)
- (2) The Taxation Act (R.S.Q., chapter I-3)
- (3) The Act respecting the application of the Taxation Act (R.S.Q., chapter I-4)
- (4) The Licenses Act (R.S.Q., chapter L-3)
- (5) The Act respecting the Ministère du Revenu (R.S.Q., chapter M-31)
- (6) The Act respecting the Régie de l'assurance-maladie (R.S.Q., chapter R-5)
- (7) The Act respecting the Québec Pension Plan (R.S.Q., chapter R-9)

Bill 35

An Act to amend the Taxation Act and other fiscal legislation

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. Section 2 of the Retail Sales Tax Act (R.S.Q., chapter I-1) is amended by replacing what precedes paragraph 2 by the following:

“2. In this Act and the regulations, unless the context indicates a different meaning,

(1) “purchaser” means a person who acquires or takes on lease movable property at a retail sale in Québec;”.

2. Section 3 of the said Act is amended by replacing the second paragraph of subsection 1 by the following paragraphs:

“A person who makes a retail sale only by way of exception is not subject to the obligation set out in the first paragraph.

Notwithstanding the second paragraph, a contractor, wholesaler, importer or manufacturer carrying on business in Québec is subject to the obligation set out in the first paragraph.”

3. Section 7 of the said Act is amended

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

“7. Every person who carries on business or ordinarily resides in Québec and who brings or causes to be brought into Québec any movable property for use or consumption by himself or by another person at

his expense or who purchases a movable property situated in Québec at a retail sale made outside Québec shall, on the date that the use or consumption of that property begins in Québec, pay a tax to the Minister at the rate provided for in the first paragraph of section 6 on the value of the property, except if such tax has been collected by the retailer and, where applicable, the tax provided for in the second paragraph of the said section 6.”;

(2) by replacing subparagraphs *b* and *c* of the second paragraph by the following subparagraphs:

“(b) in the case of property acquired at a sale outside Québec and used or consumed in Québec within twelve months of that sale, the purchase price of the property;

“(c) notwithstanding subparagraph *b*, in the case of property leased outside Québec, the portion of the rent that may reasonably be ascribed to the right of enjoyment of the property in Québec;

“(d) in other cases, the market value of the property.”

4. Sections 8, 9 and 10 of the said Act are replaced by the following section:

“8. Every person who has purchased or produced a movable property in order to sell it or for one of the purposes provided in paragraph *y* of section 17 shall, on the date when he begins to use it or consume it in Québec for another purpose or arranges for its use or consumption in Québec at his expense by another person, pay a tax to the Minister at the rate provided for in the first paragraph of section 6, on the value of the property and, where applicable, the tax provided for in the second paragraph of the said section 6.

For the purposes of the first paragraph, the value of a property means

(a) in the case of a property produced by the person in Québec, the market value of the property mentioned in paragraph *y* of section 17;

(b) in other cases, the market value of the property.

However, the first paragraph does not apply in the case of a property produced in Québec if the property has not been used in Québec and has been taken or shipped out of Québec for use or consumption as part of the carrying on of the person’s undertaking.”

5. Section 10.01 of the said Act, enacted by section 2 of chapter 35 of the statutes of 1984, is repealed.

6. Section 10.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

"10.1 Every person who, after 10 May 1983, has purchased or produced in Québec or brought into Québec movable property contemplated in paragraph z of section 17 which is rolling-stock used solely elsewhere than on public roads for purposes of mining or forest operations, within the meaning of the regulations, excluding railway equipment, shall, at the time he begins to use the property for any other purpose or on a public road, pay a tax at the rate provided in the first paragraph of section 6 on the market value of the property at that time."

7. Sections 13 to 16 of the said Act are replaced by the following sections:

"13. The tax provided for in section 6, whether the price be stipulated payable in cash, on terms, in instalments or otherwise, shall be collected by the holder of a registration certificate or by the person required to hold such a certificate on the whole amount of the contract price at the time of the sale or, in the case of a lease, at the time determined by regulation.

The tax shall be shown separately from the sale price on any writing recording the sale, on any invoice and in the books of account of the person required to collect the tax.

Notwithstanding the first paragraph, the tax shall not be collected where the purchaser meets the conditions prescribed by a regulation authorizing him to remit the tax himself and he invokes it.

"14. The holder of a registration certificate or the person required to hold such a certificate shall act as agent for the Minister, and he shall keep account of, report and remit to him the amounts collected, on or before the fifteenth day of each month for the preceding calendar month or at the time determined by regulation, even if no sale or delivery subject to the tax was made during the month.

"14.1 Where the tax provided for in section 6 is not required to be collected by the vendor, the purchaser shall, at the time of the sale or the time determined by regulation, report that fact to the Minister, sending him the invoice, if required, with any information the Minister may require and at the same time remit to him the tax payable.

Every person who is required to pay the tax under section 7, 8 or 10.1 is under the same requirement and this obtains at the time provided in those sections or by regulation.

"15. The Minister may make an allowance determined by regulation to the holder of a registration certificate for collecting and remitting the tax provided for by this Act.

"16. Every person having any work done in Québec by a contractor who has neither residence nor place of business therein shall, if the contractor does not furnish him with proof that he holds a registration certificate, withhold from the contract price an amount computed at the rate provided for in the first paragraph of section 6 and report and remit it to the Minister without delay.

The contractor is entitled to the reimbursement of the amount withheld under this section if he shows to the satisfaction of the Minister that all the tax payable pursuant to this Act by reason of the contract has been paid.

If all the tax has not been paid, the contractor is entitled to the reimbursement of that portion of the withheld amount which exceeds the unpaid portion of the tax payable by reason of the contract."

8. The said Act is amended by inserting, after section 17, the following section:

"17.1 The tax which a person is required to pay upon the use or consumption of a property pursuant to section 7 or 8 does not apply to the extent of the exemption the person would be entitled to under section 17 if he bought the property in Québec at the time it begins to be used or consumed and if he meets the conditions for that exemption."

9. Section 18 of the said Act is repealed.

10. (1) Section 18.1 of the said Act is amended by adding the following paragraph:

"For the purposes of the first paragraph, aerated water to which essence or syrup has been added does not include a beverage prepared from drinking water and fruit juice, concentrated fruit juice, fruit or a mixture of such components in which the proportion of fruit juice is not less than 12%."

(2) This section has effect from 20 December 1984.

11. Section 21 of the said Act is amended by replacing subsections 1, 2 and 3 by the following subsections:

“21. (1) The holder of a registration certificate or the person required to hold such a certificate shall keep account of the tax collected and report and remit it to the Minister, in the form and manner established by the Minister.

“(2) The report shall be verified by the affidavit or the solemn affirmation of the holder of the registration certificate or the person required to hold such a certificate.

“(3) The Minister may require any holder of a registration certificate or any person required to hold such a certificate to keep in the form he prescribes a record of all purchases and sales of movable property by him, and to forward to him copies of such records or extracts therefrom, at such time and in such manner as he deems fit. He may also compel any finance company to keep its contracts for such time as he prescribes and to send him copies thereof.”

12. Section 22 of the said Act is repealed.

13. Section 23 of the said Act is amended, in subsection 2,

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

“(a) contravenes section 3 or 4, the second paragraph of section 13, section 14.1, subsection 3 of section 21 or the regulations; or ”;

(2) by striking out the word “or” at the end of paragraph *b*;

(3) by striking out paragraph *c*.

14. Section 25 of the said Act is repealed.

15. Section 28 of the said Act is replaced by the following section:

“28. In order to facilitate the collection and remittance of the tax provided for by this Act or to prevent the double payment of such tax on the same movable property, the Minister may effect such arrangements as he may deem expedient to make with any person holding a registration certificate, which arrangements shall be subject to this Act.”

16. The said Act is amended by inserting, before section 31, the following section:

“30.1 Notwithstanding any provision of this Act inconsistent herewith, where a movable property prescribed by regulation is used partly outside Québec, the tax is computed in the manner determined by regulation.”

17. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3) is amended

(1) by inserting, before the definition of the expression “allowable business investment loss”, the following definition:

“ “advocate” means an advocate or a notary and, in another canadian province, a barrister or a solicitor;”;

(2) by striking out the word “and” at the end of subparagraph *e* of the definition of the expression “cost amount”;

(3) by inserting, after subparagraph *e* of the definition of the expression “cost amount”, the following subparagraph:

“(e.1) in the case of an indexed security, its fair market value, within the meaning assigned by paragraph *b* of section 307.1, at that time; and ”;

(4) by inserting, after the definition of the expression “paid-up capital”, the following definition:

“ “participant” under an indexed security investment plan has the meaning assigned by paragraph *d* of section 307.1;”;

(5) by inserting, after the definition of the expression “farming”, the following definition:

“ “farm loss” has the meaning assigned by section 728.2;”;

(6) by inserting, before the definition of the expression “individual”, the following definition:

“ “indexed security investment plan” has the meaning assigned by paragraph *f* of section 307.1;”;

(7) by inserting, after the definition of the expression “income interest”, the following definition:

“ “indexed security” has the meaning assigned by paragraph *h* of section 307.1;”;

(8) by replacing the definition of the expression “salary or wages” by the following definition:

“ “salary or wages”, except in section 32 and for the purposes of subparagraph *i* of paragraph *d* of section 351 when it refers to section 32, means the income of a taxpayer from an office or employment, as computed under sections 32 to 79.3, and includes all fees received by the taxpayer for services not rendered in the course of the taxpayer’s business, but does not include pension benefits or retiring allowances;”.

(2) Paragraphs 1, 5 and 8 of subsection 1 apply from the taxation year 1983.

(3) Paragraphs 2 to 4, 6 and 7 of subsection 1 have effect from 1 October 1983.

18. (1) The said Act is amended by inserting, after section 1.3, the following section:

“1.4 For the purposes of this Part and the regulations, property of which a taxpayer is the beneficial owner includes

(a) property in relation to which the taxpayer has full ownership, even if it is subject to a servitude;

(b) property in relation to which the taxpayer has a right as a usufructuary, a lessee in an emphyteutic lease, an institute in a substitution or a beneficiary in a trust, in the case of property governed by the civil law; and

(c) property in relation to which the taxpayer has beneficial ownership, in the case of property governed by the common law.

Similarly, a taxpayer is the beneficial owner of property if he has, in relation to that property, any right described in subparagraphs *a* to *c* of the first paragraph.”

(2) This section has effect from 1 October 1983.

19. (1) Section 21.4.1 of the said Act is replaced by the following section:

“21.4.1 A taxpayer who acquires a right referred to in paragraph *b* of section 20 is deemed to acquire at that time the shares to which the right is attached if it can reasonably be concluded that one of the main purposes of the acquisition of the right was to avoid any limitation on the deductibility of any net capital loss, non-capital loss or farm loss or any amount referred to in section 384 or 384.1, or to avoid the application of section 736.0.2.”

(2) This section applies from the taxation year 1983.

20. (1) Section 24 of the said Act is replaced by the following section:

“24. The taxable income of an individual contemplated in section 22 for a taxation year is obtained by adding to his income for the year

the addition permitted by Book IV and by subtracting from such income the deductions permitted by that book, except if that individual was resident in Canada for a part of that taxation year and, during another part of the year, has not been employed or carried on a business there. In the latter case, his taxable income shall be computed in the manner indicated in section 23, whether he is an individual who has begun to reside in Canada during the year or an individual who ceased to be resident there during the year.”

(2) This section applies from the taxation year 1983.

21. (1) The said Act is amended by inserting, after section 58, the following headings and section:

“DIVISION VII

“MARKET MAKERS

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

(2) This section applies from the taxation year 1984.

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

“**76.1** A market maker who is an employee may, in computing his income for the year from an office or employment, deduct every amount he may deduct under Title VIII of Book VII in so computing.”

(2) This section applies from the taxation year 1984.

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

“**82.** For the purposes of this Part, income or loss from a property does not include any amount that is respectively a capital gain or a capital loss resulting from the disposition of the property or that would be such a gain or loss but for the exclusion respecting an indexed security which is referred to in the first paragraph of section 232.”

(2) This section applies to taxation years ending after 30 September 1983.

24. (1) Section 87 of the said Act is amended

- (1) by striking out the word "and" at the end of paragraph *t*;
- (2) by replacing the period at the end of paragraph *u* by the following: "; and";

- (3) by adding the following paragraph:

"(v) any amount he is required to include in computing his income from a business under Title VIII of Book VII, in relation to an amount withdrawn from a reserve account for contingent losses within the meaning of section 979.2."

- (2) This section applies in respect of a fiscal period beginning after 10 May 1983.

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

"89. A taxpayer shall include in computing his income from a business or property for a taxation year, any amount that becomes receivable in the year, by virtue of an obligation imposed by statute or a contractual obligation substituted for an obligation imposed by statute, by a person referred to in section 90, as or as an amount that may reasonably be regarded as being in lieu of a royalty, tax, rental or bonus, that may reasonably be regarded as being in relation to the acquisition, development or ownership of a Canadian resource property or a property that would have been a Canadian resource property if it had been acquired after 31 December 1971, or to the production in Canada of petroleum, natural gas or other related hydrocarbons from a mineral resource or an oil or gas well, or metal or minerals to any stage that is not beyond the prime metal stage or its equivalent, from a mineral resource, if the oil or gas well or mineral resource is situated on property in Canada in which the taxpayer had an interest with respect to which the obligation imposed by statute or the contractual obligation, as the case may be, applied."

- (2) This section applies in respect of any amount that becomes receivable after 19 April 1983 in relation to a period subsequent to that date.

26. (1) Section 92.5 of the said Act is replaced by the following section:

"92.5 For the purposes of sections 92, 92.1, 92.4, 92.7, 157.6 and 167, where a taxpayer acquires an interest in a prescribed debt obligation, interest in respect thereof computed in prescribed manner is deemed to accrue to the taxpayer in each taxation year during which he holds the interest."

(2) This section applies to taxation years beginning after 31 December 1981.

27. (1) Section 92.7 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) “investment contract”, in relation to a taxpayer, means any debt obligation, other than a prescribed contract, an income bond, an income debenture, a development bond, a small business bond or an obligation in respect of which the taxpayer has, at periodic intervals of less than three years, included, in computing his income throughout the period in which he held an interest in the obligation, the income accrued thereon for such intervals; and”.

(2) This section applies to taxation years beginning after 31 December 1981.

28. (1) Section 119.2 of the said Act is amended by replacing that part of paragraph *e* which precedes subparagraph *i* by the following:

“(e) “qualifying debt obligation” of a corporation at any particular time means an obligation that is a bond, debenture, bill, note, hypothec, mortgage or similar obligation, the principal amount of which is not less than \$10 000 or more than \$500 000, issued between 11 December 1979 and 1 January 1986 for a term of not less than one year, except in the event of a failure or default under the terms or conditions of the obligation, nor more than five years, if the obligation is issued by the corporation in any of the circumstances described in subparagraphs *i* to *iii* of paragraph *c* of section 119.5 or if all of the proceeds from the issuance of the obligation before 1 February 1982 are used by the corporation”.

(2) This section has effect from 19 January 1984.

29. (1) Section 119.15 of the said Act is amended by replacing that part of paragraph *b* which precedes subparagraph *i* by the following:

“(b) “qualifying debt obligation” of an individual or partnership means an obligation that is a bill, note, mortgage, hypothec or similar obligation issued between 12 November 1981 and 1 January 1986, the principal amount of which is not less than \$10 000 or more than \$500 000, that is issued for a term of not more than five years and, except in the event of a failure or default under the terms or conditions of the obligation, not less than one year, if the funds from the issuance thereof are used in Canada in a business of the individual or partnership carried on immediately before the time of issuance; and the obligation is issued by the individual or partnership”.

(2) This section has effect from 19 January 1984.

30. (1) Section 135.4 of the said Act is amended by replacing that part which precedes paragraph *a* by the following:

"135.4 Notwithstanding any other provision of this Part, in computing a taxpayer's income for a taxation year, no deduction shall be made in respect of any outlay or expense made or incurred by the taxpayer, other than an amount deductible by virtue of paragraph *a* of section 130, paragraph *h* of section 157 or sections 222 to 230.11, that".

(2) This section applies in respect of the amount of an outlay or expense made or incurred after 31 December 1981.

31. (1) The said Act is amended by inserting, after section 154, the following section:

"154.1 A market maker who as such carries on a business may in computing his income from that business deduct any amount he may deduct under Title VIII of Book VII in so computing."

(2) This section applies in respect of fiscal periods beginning after 10 May 1983.

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

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

"(k.1) a repayment in the year by the taxpayer of an amount he is required by paragraph *a* of section 87 to include in computing his income from a business for the year or a preceding taxation year;"

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

"(l.1) such part of any amount paid in the year by the taxpayer on an amount payable by him by virtue of section 32 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) where that section applies to an excess in relation to this Part, or of a prescribed disposition and as may reasonably be considered to be a repayment of interest that he included in computing his income for the year or a preceding taxation year, and, where the taxpayer is an individual other than a trust that is not a testamentary trust, to such extent as that part does not exceed the amount by which the excess determined under section 702 for the year in which the interest was included in computing his income exceeds \$1 000;"

(2) Paragraph 1 of subsection 1 applies from the taxation year 1982.

(3) Paragraph 2 of subsection 1 applies in respect of a payment made after 19 April 1983.

33. (1) Sections 157.5 and 157.6 of the said Act are replaced by the following sections:

“157.5 Where a taxpayer disposes of an interest in a life insurance policy that is not an annuity contract, otherwise than as a consequence of a death, or an annuity contract under which annuity payments have not commenced and in respect of which an amount was included in computing his income for a taxation year by virtue of section 92.9, 92.11 or 92.12 in respect of that interest, there may be deducted in computing his income for the year in which the disposition occurs an amount equal to the lesser of

(a) the aggregate of each amount included by virtue of the said sections or section 92.13 in respect of that interest in computing his income for the year or a preceding taxation year, and

(b) the amount by which the adjusted cost base to him, within the meaning of sections 976 to 977.1, of that interest immediately before the disposition exceeds the proceeds of the disposition, within the meaning of paragraph b.4 of section 966, of the interest that the beneficiary, the assignee or the policyholder becomes entitled to receive.

“157.6 Where a taxpayer disposes of a property that is an interest in a debt obligation for consideration equal to its fair market value at the time of disposition, there may be deducted in computing his income for the year in which the disposition occurs the amount by which the aggregate of each amount included in computing his income for the year or a preceding taxation year as interest on the property exceeds the aggregate of each amount which is

(a) such portion of an amount that was received or became receivable by him at or before that time as can reasonably be considered to be in respect of an amount that was included in computing his income for the year or for a preceding taxation year as interest in respect of the property; or

(b) an amount in respect of the property that was deductible by him by virtue of the second paragraph of section 167 in computing his income for the year or a preceding taxation year.”

(2) This section applies to taxation years beginning after 31 December 1982.

34. (1) The said Act is amended by inserting, after section 167, the following section:

“167.1 Where a person who has issued a debt obligation, other than an income bond, an income debenture, a small business development bond or a small business bond, is obligated to pay an amount that is stipulated to be interest on that debt obligation in respect of a period before its issue and it is reasonable to consider that the consideration paid to the issuer by the person to whom the debt obligation was issued includes that interest, the following rules apply:

(a) for the purposes of sections 87 to 87.2, 89 to 92.8 and 167, the issue of the debt obligation is deemed to be a disposition of the debt obligation from the issuer, as transferor, to the person to whom the obligation is issued, as transferee, and that interest is deemed to be interest that accrued on the debt obligation for a period ending at the time of the disposition; and

(b) notwithstanding paragraph *a* or any other provision of this Act, the issuer shall not deduct or include that interest in computing his income.”

(2) This section applies to a taxation year beginning after 31 December 1982.

35. (1) Section 175.2 of the said Act is amended

(1) by striking out the word “or” at the end of paragraph *c*;

(2) by replacing the period at the end of paragraph *d* by a semicolon;

(3) by adding the following paragraphs:

“(e) acquiring property that is or has become an indexed security or acquiring property for which an indexed security has been substituted;

“(f) acquiring property that is or has become an interest in a trust that is a participant under an indexed security investment plan or acquiring property for which such an interest has been substituted;

“(g) acquiring property that is a loan to a trust under which the taxpayer, or a person with whom the taxpayer does not deal at arm’s length, is a beneficiary and that is or has become a participant under an indexed security investment plan, or acquiring property for which such a loan has been substituted;

“(h) making a contribution to a trust under which the taxpayer is a beneficiary and that is or has become a participant under an indexed security investment plan, or acquiring property that is used to make a contribution to such a trust.”

(2) This section applies to taxation years ending after 30 September 1983.

36. (1) The said Act is amended by inserting, after section 175.2, the following section:

“175.3 Section 175.2 does not apply in respect of an amount that relates to a period when

(a) the property or the property substituted therefor, as the case may be, contemplated in paragraph *e* of that section is not an indexed security;

(b) the property or the property substituted therefor, as the case may be, contemplated in paragraph *f* of that section is not an interest in a trust that is a participant under an indexed security investment plan;

(c) the trust contemplated in paragraph *g* or in paragraph *h*, as the case may be, of that section is not a participant under an indexed security investment plan.”

(2) This section applies to taxation years ending after 30 September 1983.

37. (1) Section 177 of the said Act is amended by replacing the first paragraph by the following paragraph:

“177. A taxpayer may deduct the part of any indebtedness repaid by him in the year and which he included under section 113 in computing his income for a preceding taxation year, if it is established that such repayment has not been made as part of a series of transactions and repayments.”

(2) This section applies from the taxation year 1982.

38. (1) The said Act is amended by inserting, before section 230.1, the following sections:

“230.0.1 Sections 230.3 to 230.5 do not apply to a taxation year of a corporation that ends after 31 October 1983 unless

(a) in the case of a particular taxation year that includes 1 November 1983, the corporation elects in its fiscal return under this Part for the year to apply those sections, in which case each corporation that is associated with the corporation is deemed to have so elected in respect of its taxation year that ends in the calendar year in which the particular taxation year ends; or

(b) the qualified expenditure made by the corporation in the year includes an expenditure contemplated in section 230.0.2 and the corporation elects, in its fiscal return under this Part for the year to apply those sections, in which case the amount that the corporation may deduct in computing its income for the year under sections 230.1 to 230.11 is that proportion of the amount that the corporation could so deduct but for this section and on the assumption that it is not associated in the year with any other corporation, that the aggregate of expenditures made by the corporation in the year in accordance with an agreement described in section 230.0.2 and that are described in paragraph *b* of section 230.1 is of the qualified expenditure made by the corporation in the year.

"230.0.2 An expenditure referred to in section 230.0.1 is an expenditure that the corporation was obligated to make

(a) pursuant to an agreement in writing entered into by the corporation before 20 April 1983; or

(b) in respect of a project pursuant to an agreement in writing entered into by the corporation before 2 November 1983, where the project commenced before 1 January 1984 and proceeded without undue delay, and arrangements, evidenced by writing, respecting the project were substantially advanced before 20 April 1983.

"230.0.3 The election described in paragraph *a* or *b* of section 230.0.1 is valid only if the corporation files with the Minister, together with its fiscal return for the year, an attestation to the effect that it similarly elected for the same year and for the same amount for the purposes of the Income Tax Act (Statutes of Canada), in accordance with paragraph *a* or *b* of section 11 of the Act to amend the statute law relating to income tax and to make related amendments to the Canada Pension Plan and the Unemployment Insurance Act, 1971 (Statutes of Canada, 1983-84, chapter 1)."

(2) This section has effect from 19 January 1984.

39. (1) Section 232 of the said Act is amended by replacing the first paragraph by the following paragraph:

"232. A capital gain or a capital loss arises from the disposition of any property other than intangible capital property, an indexed security, timber resource property, property contemplated in section 328 or an insurance policy including a life insurance policy within the meaning of paragraph *e* of section 835, except that part of a life insurance policy in respect of which a policyholder is deemed, by section 851.11, to have an interest in a related segregated fund trust contemplated in section 851.2."

(2) This section applies to taxation years ending after 30 September 1983.

40. (1) Section 238 of the said Act is amended

(1) by striking out the word “or” at the end of paragraph *b*;

(2) by replacing the period at the end of paragraph *c* by the following:“; or ”;

(3) by adding the following paragraph:

“(d) is a deemed disposition under section 307.10, when the property is transferred to an indexed security investment plan and if the property is not, within 30 days after the disposition, withdrawn from the plan or disposed of under the plan to a person with whom the taxpayer is not dealing at arm’s length.”

(2) This section has effect from 1 October 1983.

41. (1) The said Act is amended by inserting, after section 241, the following sections:

“**241.1** The capital loss to a participant under an indexed security investment plan from the deemed disposition arising by virtue of the transfer of a security to the plan pursuant to section 307.10 within 60 days after the day on which he acquired the security is deemed to be his capital loss otherwise determined less the amounts of his outlays or expenses made or incurred to acquire the security and included by him in the cost of the security.

“**241.2** Where in any taxation year a taxpayer transfers, pursuant to section 307.10, a security owned by him to an indexed security investment plan under which he is the participant, the amount by which, for the year, the total of all his capital losses from deemed dispositions of property arising by virtue of such transfers exceeds the total of all his capital gains from such dispositions is deemed to be a gain of the taxpayer for the year from the disposition in the year of a capital property.”

(2) Subsection 1, where it enacts section 241.1 of the Taxation Act, applies in respect of transfers made after 30 September 1983 and, where it enacts section 241.2 of the said Act, applies to taxation years beginning after 31 December 1984.

42. (1) Section 242 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Property which is an indexed security or which would be taxable Canadian property if the taxpayer had not been resident in Canada during the year and prescribed property are not subject to this rule.”

(2) This section applies in respect of a taxpayer who ceases to reside in Canada after 30 September 1983.

43. (1) Section 250.2 of the said Act is replaced by the following section:

“250.2 For the purposes of this division, “Canadian security” means a security, other than an indexed security or a prescribed security, that is a share of the capital stock of a corporation resident in Canada, a unit of a mutual fund trust, a bond, debenture, bill, note, hypothec, mortgage or other similar obligation issued by a person resident in Canada.”

(2) This section has effect from 1 October 1983.

44. (1) Section 251 of the said Act is replaced by the following section:

“251. The proceeds of disposition of property include, for the purposes of this Title, the same elements as the proceeds of disposition of property referred to in paragraph *f* of section 93 and any amount deemed not to be a dividend under paragraph *b* of section 568 and, in the case of a share that is an indexed security, any amount received in respect of that share on a reduction of the paid-up capital of a corporation; it does not include an amount deemed to be a dividend received under section 508 to the extent that it refers to a dividend deemed paid under sections 505 and 506 and not deemed not to be a dividend under paragraph *a* of section 308.1 or under paragraph *b* of section 568, nor a prescribed amount.”

(2) This section has effect from 1 October 1983.

45. (1) Section 255 of the said Act is amended

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

“*i.* an amount in respect of each fiscal period of the partnership ending after 31 December 1971 and before the particular time, equal to the taxpayer’s share, other than a share under an agreement referred to in section 608, of the income of the partnership from any source for that fiscal period computed as if this Part were construed without reference to the words “one-half of” in section 105 as it applied to a

fiscal period of the partnership ending before 1 April 1977, and sections 107, 231 and 265 and as if paragraph *l*, sections 89 to 91, 144, 144.1, 145, 308 to 308.6 and 425, paragraph *j* of section 157, paragraph *b* of each of sections 200 and 201, paragraphs *g* and *h* of section 489, subsection 2 of section 497 and the provisions of the Act respecting the application of the Taxation Act (1972, chapter 24), in respect of income from the operation of new mines, did not exist;”;

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

“ii. is not deducted in computing the taxable income for the taxation year in which the taxpayer disposed of the property or any previous taxation year;”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1982; however, where subparagraph i of paragraph *i* of section 255 of the Taxation Act enacted thereby refers to section 425 of the said Act, that reference shall be interpreted, for the period preceding 19 January 1984, as a reference to sections 425 and 427.1 of the said Act.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1983.

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

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

“(e) where the property was received as consideration for a payment or loan referred to in section 383 which the taxpayer made or consented to before 20 April 1983 to a joint exploration corporation within the meaning of section 382, as a shareholder corporation of such a corporation, in respect of Canadian exploration and development expenses within the meaning of section 364, of Canadian exploration expenses within the meaning of sections 395 and 396, of Canadian development expenses within the meaning of sections 408 and 409 or Canadian oil and gas property expenses within the meaning of sections 418.2 and 418.3, incurred by the joint exploration corporation, or where the property was substituted for such a property, such part of the payment or loan as may reasonably be considered to relate to an agreed portion contemplated by section 381, 406, 417 or 418.3, as the case may be;”;

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

“(h.1) any amount required by section 419.2 to be deducted before that time in computing the adjusted cost base of the property;”;

(3) by replacing paragraph *j.1* by the following paragraph:

“(j.1) where the property is a share of a class of the capital stock of a corporation, which share was acquired by the taxpayer as a consequence of the death of a person otherwise than by way of purchase, or another share of the same class acquired by that taxpayer after the death of that person, or a share substituted for any of such shares, the aggregate of each dividend on that share received by the taxpayer on or before that particular time, or deemed to have been received by him after that time by virtue of section 508 where that section refers to a dividend deemed to have been paid by virtue of section 505 or 506, that can reasonably be considered to be proceeds of a disposition and in respect of which the corporation has made an election under section 502.1.”;

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

“i. an amount in respect of each fiscal period of the partnership ending after 31 December 1971 and before the particular time, equal to the taxpayer’s share, other than a share under an agreement referred to in section 608, of any loss of the partnership from any source for that fiscal period, computed as if this Part were construed without reference to the words “one-half of” in section 105, as it applied to each fiscal period of the partnership ending before 1 April 1977, and in sections 107 and 231, and as if sections 89 to 91, 144, 144.1, 145, 205 to 207, 235, 236.2 to 241, 264, 271, 273, 288, 293, 308 to 308.6, 425 and 744.1 and paragraph *j* of section 157, paragraphs *g* and *h* of section 489 and the second paragraph of section 741 did not exist.”;

(5) by inserting, after subparagraph vi of paragraph *l*, the following subparagraphs:

“(vii) any amount added pursuant to subsection 4 of section 127.2 of the Income Tax Act (Statutes of Canada) in computing his share-purchase tax credit for a taxation year ending before or after that time, and

“(viii) an amount equal to 50% of the amount deemed to be designated pursuant to subsection 4 of section 127.3 of the Income Tax Act (Statutes of Canada) before that time in respect of each share, debt obligation or right acquired by the partnership and deemed to have been acquired by the taxpayer under that subsection.”;

(6) by inserting, after subparagraph ii of paragraph *n*, the following subparagraphs:

“(iii) any amount added pursuant to subsection 3 of section 127.2 of the Income Tax Act (Statutes of Canada) in computing his share-

purchase tax credit for a taxation year ending before or after that time; and

“(iv) an amount equal to 50% of the amount deemed to be designated pursuant to subsection 3 of section 127.3 of the Income Tax Act (Statutes of Canada) before that time in respect of each share, debt obligation or right acquired by the trust and deemed to have been acquired by the taxpayer under that subsection;”.

(2) Paragraph 1 of subsection 1 has effect from 19 January 1984.

(3) Paragraph 2 of subsection 1 applies in respect of a property received by the taxpayer as consideration for a payment made after 19 April 1983 or a loan consented to after that date.

(4) Paragraph 3 of subsection 1 has effect from 29 June 1982; however, where paragraph *j.1* of section 257 of the Taxation Act enacted thereby describes the amounts to be deducted in computing the adjusted cost base of a share contemplated therein, it applies in respect of a winding-up that begins after 31 December 1983.

(5) Paragraph 4 of subsection 1 applies from the taxation year 1982; however, where subparagraph *i* of paragraph *l* of section 257 of the Taxation Act enacted thereby refers to section 425 of that Act, that reference shall be interpreted, for the period preceding 19 January 1984, as a reference to sections 425 and 427.1 of the said Act.

(6) Paragraphs 5 and 6 of subsection 1 apply from the taxation year 1983.

47. (1) The said Act is amended by inserting, after section 257, the following section:

“257.1 For the purposes of paragraphs *d*, *l* and *n* of section 257, where a taxpayer has deducted an amount by virtue of subsection 5 or 6 of section 127 of the Income Tax Act (Statutes of Canada) in computing his tax payable for a taxation year under that Act and that amount may reasonably be attributed to the amounts added, pursuant to subsection 9 of the said section 127, in computing the amount determined in the latter subsection in respect of the taxpayer and that are related to a property acquired or an expenditure made in a taxation year subsequent to that taxation year, the taxpayer is deemed to have made the deduction in that subsequent taxation year.”

(2) This section has effect from 19 January 1984.

48. (1) The said Act is amended by inserting, after section 260, the following section:

“260.1 For the purposes of section 259, the word “property” does not include an indexed security.”

(2) This section has effect from 1 October 1983.

49. (1) The said Act is amended by inserting, after section 264, the following division and sections:

“DIVISION III.1

“LOSSES DEEMED RELATED TO SHARES

“264.1 The amount of any unused share-purchase tax credit, within the meaning of paragraph *b* of subsection 6 of section 127.2 of the Income Tax Act (Statutes of Canada), of a taxpayer for a particular taxation year, to the extent that it was not deducted from his tax otherwise payable under Part I of that Act for the immediately preceding taxation year, is deemed to be a capital loss of the taxpayer from a disposition of property for the year immediately following the particular taxation year.

“264.2 The amount of any unused scientific research tax credit, within the meaning of paragraph *b* of subsection 2 of section 127.3 of the Income Tax Act (Statutes of Canada), of a corporation for a particular taxation year, to the extent that it was not deducted from its tax otherwise payable under Part I of that Act for the immediately preceding taxation year, is deemed to be a capital loss of the corporation from a disposition of property for the year immediately following the particular taxation year.

“264.3 The amount of any unused scientific research tax credit, within the meaning of paragraph *b* of section 776.6, of an individual for a particular taxation year, to the extent that it was not deducted from his tax otherwise payable under this Part for the immediately preceding taxation year, and in the proportion of 200% of the product obtained by multiplying that amount not so deducted by the inverse proportion of what is determined pursuant to the second paragraph of section 22, 25 or 26, as the case may be, for the particular taxation year, is deemed to be a capital loss of the individual from a disposition of property for the year immediately following the particular taxation year.”

(2) This section applies from the taxation year 1983.

50. (1) Section 266 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) by deducting from the amount so obtained such portion as the taxpayer may claim of his precious property losses for the seven preceding taxation years and the three following taxation years.”

(2) This section applies

(a) in respect of the computation of the net gain of a taxpayer from the disposition of precious property for a taxation year subsequent to the taxation year 1982, except that where paragraph *b* of section 266 of the Taxation Act enacted thereby applies in respect of a precious property loss for a taxation year preceding the taxation year 1983, that paragraph shall read as though the word “seven” were replaced by the word “five”; and

(b) in respect of the precious property losses of a taxpayer for a taxation year subsequent to the taxation year 1982, except that where paragraph *b* of section 266 of the Taxation Act enacted thereby applies, that paragraph shall read as if the words “the three following taxation years” were replaced by the words “the following taxation year”, in the case of a loss determined for the taxation year 1983, or by the words “the two following taxation years”, in the case of a loss determined for the taxation year 1984.

51. (1) Section 267 of the said Act is replaced by the following section:

“**267.** The deduction provided for in paragraph *b* of section 266 in respect of a precious property loss is deductible for a taxation year only to the extent that it exceeds the aggregate of amounts deducted under that paragraph in respect of that loss for preceding taxation years.”

(2) This section applies

(a) in respect of the computation of the net gain of a taxpayer from the disposition of precious property for a taxation year subsequent to the taxation year 1982, except that where paragraph *b* of section 266 of the Taxation Act, enacted by section 50, applies in respect of a precious property loss for a taxation year preceding the taxation year 1983, that paragraph shall read as if the word “seven” were replaced by the word “five”; and

(b) in respect of the precious property losses of a taxpayer for a taxation year subsequent to the taxation year 1982, except that where paragraph *b* of section 266 of the Taxation Act, enacted by section 50, applies, that paragraph shall read as if the words “the three following taxation years” were replaced by the words “the following taxation year”, in the case of a loss determined for the taxation year 1983, or by the

words "the two following taxation years", in the case of a loss determined for the taxation year 1984.

52. (1) Section 294 of the said Act is replaced by the following section:

"294. Subject to sections 295 and 296, the granting of an option is a disposition of property the adjusted cost base of which to the grantor immediately before he grants it is nil.

This section does not apply in respect of

- (a) an option to purchase or sell a principal residence;
- (b) an option granted by a corporation to purchase shares of its capital stock or bonds or debentures to be issued by it;
- (c) an option granted under an indexed security investment plan to acquire or dispose of a security that is a qualified security in relation to the plan."

(2) This section applies in respect of options granted after 30 September 1983.

53. (1) Section 296 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs:

"(a) in the case of an option to purchase, the consideration received by the vendor for such option must be included in computing the proceeds of disposition of the property, other than a property that is an indexed security, and the adjusted cost base of the option to the purchaser must be included in computing the cost of the property to him, other than a property acquired by him under an indexed security investment plan; and

"(b) in the case of an option to sell, the adjusted cost base of the option to the vendor must be deducted in computing the proceeds of disposition to him of the property, other than a property that is an indexed security, and the consideration received by the purchaser for such option must be deducted in computing the cost of the property to him, other than a property acquired by him under an indexed security investment plan."

(2) This section applies in respect of options exercised after 30 September 1983.

54. (1) The said Act is amended by inserting, after section 307, the following division and sections:

"DIVISION XIV.1

"INDEXED SECURITY INVESTMENT PLANS

"307.1 In this division,

(a) "administrator", in relation to a Plan, means the trader or dealer in securities, mutual fund corporation, mutual fund trust or insurer who has entered into the contract described in paragraph *f* in respect of the Plan other than as the participant under the Plan;

(b) "fair market value", at any time of a security, means

(i) in the case of a security listed or traded on a prescribed stock exchange in Canada and owned under or in respect of a Plan or transferred to a Plan, the quoted price at that time determined in accordance with the method regularly followed by the administrator of the Plan in determining quoted prices,

(ii) in the case of a security that is a share of the capital stock of a mutual fund corporation, a unit of a mutual fund trust or an interest in a related segregated fund trust, the amount that would be received in respect of that share, unit or interest if it were redeemed or disposed of at that time, or

(iii) such other amount as may be prescribed;

(c) "trader or dealer in securities" means a person

(i) who is registered or licensed under the laws of a province to trade in securities and who is a member of a prescribed contingency fund,

(ii) that is described in paragraph *b*, *c* or *d* of section 250.3 and that purchases or sells securities as agent for a person described in subparagraph *i*; or

(iii) who is a prescribed person;

(d) "participant" under a Plan means any person who has entered into a contract described in paragraph *f* under which his taxable capital gain or allowable capital loss from the Plan, within the meaning of the Income Tax Act (Statutes of Canada) will be computed for each taxation year in which the contract is in force or a spouse or trust who has acquired all the rights and assumed all the obligations of the person under the contract in circumstances described in paragraphs *a* and *b* of section 450.4;

(e) "Plan" means an indexed security investment plan;

(f) “indexed security investment plan” means a plan of investment in securities that are qualified securities in relation to the plan and that is evidenced by a written contract entered into between a person described in section 307.2 and a person resident in Canada or licensed to carry on business in Canada who is a trader or dealer in securities, a mutual fund corporation, a mutual fund trust or an insurer in respect of a related segregated fund trust, under which the latter person agrees to compute, for the purposes of the Income Tax Act (Statutes of Canada), any taxable capital gain or allowable capital loss of the person referred to in section 307.2 from the plan for each taxation year of such person in which the contract is in force;

(g) “qualified security”, at any time, means,

(i) in relation to a Plan administered by a trader or dealer in securities, a security described in section 307.3; and

(ii) in relation to a Plan administered by a mutual fund corporation or mutual fund trust or by an insurer in respect of a related segregated fund trust, a share of the capital stock of the mutual fund corporation, a unit of the mutual fund trust or an interest in the related segregated fund trust, other than a prescribed share, unit or interest;

(h) “indexed security” means a qualified security beneficially owned by a taxpayer under a Plan and, where the Plan is administered by a trader or dealer in securities, held in the care and custody of a trader or dealer in securities and registered in the name of a trader or dealer in securities or person who is a nominee for a trader or dealer in securities.

“307.2 The person contemplated in paragraph *f* of section 307.1 is a person resident in Canada who is an individual, other than a trust, or a trust, other than a mutual fund trust, of which each beneficiary is

(a) an individual, other than a trust, or a person described in section 710, other than the taxpayer referred to in that section, or

(b) a testamentary trust that arose on and in consequence of the death of a person who was a beneficiary of the trust and of which all the beneficiaries are persons described in paragraph *a*.

“307.3 The security contemplated in subparagraph *i* of paragraph *g* of section 307.1 is a security that is not contemplated in section 307.5 and in respect of which there is, at the time contemplated in the said subparagraph *i*, a subsisting certification by a prescribed stock exchange in Canada that the security is

(a) a share described in section 307.4;

(b) a right or warrant that is posted for trading, or that is conditionally approved for such posting, on that stock exchange and that grants the owner thereof the right to acquire a determinable number of shares described in paragraph *a* at a determinable price; or

(c) a put or call option in respect of a share described in paragraph *a* that is traded on that stock exchange.

“307.4 The share contemplated in paragraph *a* of section 307.3 is a share of a class of the capital stock of a corporation incorporated and having its head office in Canada, other than a corporation recognized as a mutual fund corporation by that stock exchange, in respect of which the following requirements are met, namely:

(a) the class to which the share belongs is listed, or is conditionally approved for listing, on that stock exchange;

(b) the amount that the owner of the share is entitled to receive on the dissolution, liquidation or winding-up of the corporation is not limited to a fixed or determinable amount, other than an amount determinable by reference to the entitlement of another share described in this clause on the dissolution, liquidation or winding-up of the corporation;

(c) the owners of all shares of the class have no right or obligation under a contract, either immediately or in the future and either absolutely or contingently, to dispose of their shares to the corporation, a person not dealing at arm's length with the corporation or a partnership or trust of which the corporation or a person not dealing at arm's length with the corporation is a member or beneficiary; and

(d) there is no right, privilege, restriction or condition attaching to the share under the corporation's charter or any amendment thereto that

i. gives the owner of the share the right to cause it to be redeemed, acquired or cancelled by the corporation, in whole or in part, or to cause the paid-up capital of the share to be reduced;

ii. limits the amount of the dividends that the corporation may declare or pay on the share, or that the owner thereof may receive thereon, to an amount not to exceed a fixed or determinable amount, other than an amount determinable by reference to a dividend payable on another share described in this section;

iii. gives the owner of the share the right to convert it into, or exchange it for, another property, other than a share that is, or that if issued would be, described in this section read without reference to paragraph *a*; or

iv. gives the corporation the right without the consent of the beneficial owner of the share, to redeem, acquire or cancel, other than a right to redeem, acquire or cancel for the purpose of keeping the total number of shares of the class to which the share belongs that is owned by a person or group of persons below a specific percentage of all shares of that class that have been issued, the share, in whole or in part, to reduce the corporation's paid-up capital in respect of the share or to convert the share into, or exchange the share for, another property, other than a share that is, or that if issued would be, described in this section; and

v. obligates the corporation to effect any transaction described in subparagraph iv.

“307.5 The security contemplated in subparagraph i of paragraph g of section 307.1 does not include a security which, at the time contemplated in that subparagraph, is

(a) a share of the capital stock of a corporation in respect of which 25% or more of the issued shares of any class thereof are owned by the taxpayer who is the participant under the Plan, by any one or more persons with whom the taxpayer does not deal at arm's length or by the taxpayer and any one or more such persons;

(b) a share of the capital stock of a corporation that is prescribed to be an investment corporation;

(c) a right, warrant or call option that, if exercised, would allow the taxpayer who is the participant under the Plan to acquire securities outside the Plan;

(d) a put option in respect of shares not owned under the Plan, other than any such shares that would be required to be acquired under the Plan on the exercise of a put option written under the Plan that together with the option is recognized as a spread position by a prescribed stock exchange in Canada; or

(e) a prescribed security.

“307.6 A taxpayer, in computing his income for a taxation year, shall not include his gain for the year from the actual disposition or deemed disposition of an indexed security effected under an indexed security investment plan.

Moreover, he shall not in so computing deduct his losses for the year from such a disposition.

“307.7 Sections 307.8 to 307.10 apply where, in any month, a taxpayer who is a participant under an indexed security investment plan owns a security that is a qualified security in relation to the Plan and that is, or would but for this section and the first paragraph of section 232 be, a capital property of the taxpayer.

“307.8 The security contemplated in section 307.7 is deemed to have been acquired or disposed of under the Plan where

(a) the security was acquired or disposed of by the taxpayer at any time in the month;

(b) the administrator of the Plan treats the acquisition or disposition as having taken place under the Plan; and

(c) the taxpayer does not notify the administrator of the Plan in writing within 21 days after the end of the month that the security was not acquired or disposed of under the Plan.

“307.9 The rule provided in section 307.8 applies also where

(a) the security was acquired or disposed of by the taxpayer at any time in the month;

(b) the administrator of the Plan does not treat the acquisition or disposition as having taken place under the Plan; and

(c) the taxpayer notifies the administrator of the Plan in writing within 21 days after the end of the month that the security was acquired or disposed of under the Plan.

“307.10 Where the security contemplated in section 307.7 was not acquired under the Plan by the taxpayer and the taxpayer notifies the administrator of the Plan in writing at any time that the security is to be transferred to the Plan, the security shall be deemed to have been disposed of immediately before that time by the taxpayer for proceeds of disposition equal to its fair market value at that time and shall be deemed to have been reacquired under the Plan by the taxpayer immediately after that time at a cost equal to that fair market value.

“307.11 Where at any particular time in a taxation year an indexed security investment plan under which a taxpayer is the participant is terminated, the taxpayer is deemed to have disposed under the Plan, immediately before the particular time, of each indexed security owned under the plan by him at that time, at its fair market value at that time, and to have reacquired, immediately after that time, outside the Plan, each security so deemed to have been disposed of, at a cost equal to that value.

Moreover, the taxpayer is deemed to have closed out under the Plan, immediately before that time, each put or call option referred to in section 307.12 outstanding under the Plan, at a cost equal to the amount he would have had to pay at that time if he had actually closed out the option on a prescribed stock exchange in Canada, and to have written, immediately after that time, outside the Plan, each put or call option so deemed to have been closed out, for proceeds equal to that amount.

“307.12 An option contemplated in the second paragraph of section 307.11 is either a put option written under the Plan in the month on a prescribed stock exchange in Canada in respect of a security that is a qualified security in relation to the Plan and that the taxpayer will acquire under the Plan if exercised, or a call option written under the Plan in the month on such a stock exchange in respect of a security

(a) that is an indexed security owned by the taxpayer under the Plan;

(b) that the taxpayer will acquire under the Plan if he exercises a call option owned under the Plan that, together with the call option written under the Plan, is recognized as a spread position by such a stock exchange; or

(c) that the taxpayer will acquire under the Plan if he exercises a right or warrant owned under the Plan that does not expire at a time prior to the time at which the call option written under the Plan expires.

“307.13 An indexed security investment plan is deemed to be terminated at the same time as it is deemed to be terminated pursuant to the Income Tax Act (Statutes of Canada).

“307.14 Notwithstanding any other provision of this Act, other than sections 296 and 307.18 and paragraph *c* of section 422, where at any particular time an indexed security owned by a taxpayer under an indexed security investment plan is exchanged for or replaced by him by other property, the following rules apply:

(a) the indexed security is deemed to have been disposed of under the Plan by the taxpayer immediately before that time at the fair market value of the other property at that time;

(b) where the other property includes a qualified security in relation to the Plan, the qualified security is deemed to be an indexed security acquired under the Plan by the taxpayer immediately after that time at a cost equal to its fair market value at that time; and

(c) where the other property includes a particular property that is not a qualified security in relation to the Plan, the particular property

is deemed to have been acquired outside the Plan by the taxpayer immediately after that time at a cost equal to its fair market value at that time.

“307.15 Where at any time a taxpayer who is a participant under an indexed security investment plan receives, in respect of an indexed security owned under the Plan, a right described in paragraph *b* of section 307.3 at nil cost or a stock dividend that is not a dividend, and the right or stock dividend is a qualified security in relation to the Plan, the following rules apply:

(a) the taxpayer is deemed to acquire the right under the Plan, at that time, at nil cost; and

(b) the taxpayer is deemed to have acquired at nil cost, outside the Plan, immediately before the time that is immediately before the particular time, each stock dividend he so receives, to have disposed of it outside the Plan immediately before the particular time, at its fair market value at the particular time, and to have reacquired it, under the Plan, at the particular time, at nil cost.

“307.16 Where at any particular time a security that is an indexed security owned under an indexed security investment plan by a taxpayer is withdrawn by him from the Plan or ceases to be a qualified security in relation to the Plan, the security is deemed to have been disposed of under the Plan by the taxpayer immediately before the particular time for proceeds of disposition equal to its fair market value at that time, and to have been reacquired outside the Plan by him immediately after the particular time at a cost equal to that value.

“307.17 Where at any time a put or call option outstanding under an indexed security investment plan ceases to be in respect of a security described in section 307.12, the taxpayer is deemed to have closed out the option under the Plan immediately before that time at a cost equal to the amount that he would have had to pay at that time if he had actually closed out the option on a prescribed stock exchange in Canada, and to have written the option outside the Plan, immediately after that time, for proceeds of disposition equal to that amount.

“307.18 Where at any particular time a taxpayer who is a participant under an indexed security investment plan disposes of an indexed security owned by him under the Plan by virtue of the exercise of a put option owned or a call option written outside the Plan, he is deemed to have disposed of the security under the Plan immediately before the time that is immediately before the particular time at its fair market value at the particular time and to have reacquired it outside the Plan immediately before the particular time at a cost equal to that value.

“307.19 Where a taxpayer is a participant under several indexed security investment plans administered by the same trader or dealer in securities, all such Plans are deemed to be one Plan.

“307.20 Notwithstanding any other provision of this division, the rules provided by sections 307.21 to 307.23 apply where a taxpayer who is a participant under a first indexed security investment plan transfers, in any month, all the indexed securities owned by him under the Plan and all the obligations outstanding under the Plan in respect of options written under the Plan to a second indexed security investment plan under which he is the participant and the first Plan is terminated immediately after the transfer.

“307.21 Where the taxpayer contemplated in section 307.20 was not the participant under the second Plan at the end of the preceding month, he is deemed to have become the participant at the end of the preceding month.

“307.22 All acquisitions and dispositions and each writing of an option in the month under the first Plan contemplated in section 307.20, other than dispositions arising by virtue of the transfer described therein, are deemed to have taken place under the second Plan.

“307.23 In the case contemplated in section 307.20, the taxpayer is deemed to have acquired indexed securities under the second Plan on the last day of the preceding month and to have disposed of them at that time under that Plan at a cost or for proceeds of disposition equal to the amount provided for in that case by the Income Tax Act (Statutes of Canada).”

(2) This section has effect from 1 October 1983.

55. (1) Section 308.3 of the said Act is replaced by the following section:

“308.3 Section 308.1 does not apply in the case of a dividend received by a corporation in the course of a series of transactions or events the principal purpose of which was to effect a reorganization in order to transfer, directly or indirectly, property of a particular corporation to one or more beneficiary corporations, if, in the course of the series of transactions or events, where the series began after 7 December 1982, no person other than the beneficiary corporation owned immediately before the series of transactions or events and if, in respect of each type of property transferred by the particular corporation, the fair market value thereof received by each beneficiary corporation was equal to or approximated the proportion of the fair market value of all property of that type owned by the particular corporation immediately

before the series of transactions or events that the aggregate of the fair market value at that time of all shares of the capital stock of the particular corporation owned by the beneficiary corporation is of the fair market value, at that time, of all the issued shares of the capital stock of the particular corporation.”

(2) This section has effect from 19 January 1984.

56. (1) Section 317 of the said Act is replaced by the following section:

“317. A taxpayer must include any amount received by him as pension benefit, including any pension, supplement or spouse’s allowance under the Old Age Security Act (Statutes of Canada), any similar payment made under a provincial law and any benefit under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or any equivalent plan within the meaning of that Act, but not including that part of the amount received by the taxpayer out of or under an employee benefit plan and which must, pursuant to section 47.1, be included in computing the taxpayer’s income or which would be required to be included therein were section 47.2 construed without reference to the words “a return of amounts contributed to the plan by him or a deceased employee of whom he is an heir or legal representative”.”

(2) This section applies from the taxation year 1980; where section 317 of the Taxation Act enacted by it applies to a taxation year prior to the taxation year 1982, section 317 shall be read with the addition, at the end, of the words “and any social aid payment based on the examination of resources or requirements and made by a registered charity or under a prescribed program provided for by an Act of Québec or a statute of Canada or of any other province”.

57. (1) Section 330 of the said Act is amended

(1) by striking out the word “and” at the end of paragraph *d*;

(2) by replacing the period at the end of paragraph *e* by a semicolon;

(3) by adding the following paragraphs:

“(f) any amount contemplated in paragraph *b* of section 419.3; and

“(g) any amount contemplated in section 419.4.”

(2) This section has effect from 20 April 1983.

58. (1) Sections 332.1 to 332.3 of the said Act are replaced by the following sections:

“332.1 A taxpayer shall include in computing his income for a taxation year, the aggregate of

(a) $33\frac{1}{3}\%$ of each amount that became receivable by him after 11 December 1979 and in the year, and in respect of which the consideration given by him was a property, other than a share, a property that would have been a Canadian resource property if it had been acquired by the taxpayer at the time the consideration was given or a depreciable property of a prescribed class, or services the cost of which to the taxpayer may reasonably be regarded as having been an expenditure which amount was added in computing the taxpayer's earned depletion base or in computing the earned depletion base of a predecessor corporation where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be;

(b) $33\frac{1}{3}\%$ of each amount determined under section 332.2 in respect of a disposition of depreciable property of a prescribed class, other than a disposition of such property that had been used by the taxpayer to any person with whom the taxpayer was not dealing at arm's length, of the taxpayer after 11 December 1979 and in the year, the capital cost of which was added in computing the earned depletion base of the taxpayer or of a person with whom he was not dealing at arm's length or in computing the earned depletion base of a predecessor corporation where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be;

(c) $33\frac{1}{3}\%$ of each amount determined under section 332.2 in respect of a disposition of depreciable property of a prescribed class that is bituminous sands equipment, other than a disposition of such property that had been used by the taxpayer to any person with whom the taxpayer was not dealing at arm's length, of the taxpayer after 11 December 1979 and in the year, the capital cost of which was added in computing the supplementary depletion base of the taxpayer or of a person with whom he was not dealing at arm's length or in computing the supplementary depletion base of a predecessor corporation where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be;

(d) 50% of each amount determined under section 332.2 in respect of a disposition of depreciable property of a prescribed class that is enhanced recovery equipment, other than a disposition of such property that had been used by the taxpayer to any person with whom the taxpayer was not dealing at arm's length, of the taxpayer after 11 December 1979

and in the year, the capital cost of which was added in computing the supplementary depletion base of the taxpayer or of a person with whom he was not dealing at arm's length or in computing the supplementary depletion base of a predecessor corporation where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be;

(e) $66\frac{2}{3}\%$ of each amount that became receivable by him after 11 December 1979 and in the year and in respect of which the consideration given by the taxpayer was a property, other than a share or a property that would have been a Canadian resource property if it had been acquired by him at the time the consideration was given, or services the cost of which may reasonably be regarded as having been an expenditure in connection with an oil or gas well in respect of which an amount was included in computing the taxpayer's exploration base or in computing the exploration base of a predecessor corporation where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be; and

(f) $33\frac{1}{3}\%$ of each amount that became receivable by him after 19 April 1983 and in the year, and in respect of which the consideration given by him was a property other than a share, a depreciable property of a prescribed class, or a property that would have been a Canadian resource property if it had been acquired by the taxpayer at the time the consideration was given or services the cost of which to the taxpayer may reasonably be regarded as having been an expenditure which amount was added in computing the taxpayer's resource exploration base or that of a specified predecessor of the taxpayer.

"332.2 For the purposes of paragraph *b*, *c* or *d* of section 332.1, the amount in respect of a disposition of a property referred to therein is equal to the lesser of the capital cost of the property to the taxpayer, the person with whom he was not dealing at arm's length or the predecessor, as the case may be, computed without reference to section 180 or 182, and the proceeds of disposition of the property.

"332.3 For the purposes of sections 332.1 and 332.2 and this section,

(a) "successor corporation" means a corporation that has acquired, after 7 November 1969, in any way whatsoever, including an acquisition as a result of an amalgamation contemplated in section 544, from another person referred to as the "predecessor" in this section and in sections 332.1 and 332.2, all or substantially all of the property of the predecessor used by him in carrying on in Canada any of the businesses described in paragraphs *a* to *g* of section 363 where, in respect of acquisitions of property after 16 November 1978 resulting from an operation other

than an amalgamation or a winding-up, the corporation and the predecessor have jointly elected under section 404.1, 415.3 or 418.11;

(b) “second successor corporation” means a corporation that has acquired, after 7 November 1969, in any way whatsoever, including an acquisition as a result of an amalgamation contemplated in section 544, from another corporation that was a successor corporation, all or substantially all of the property of the other corporation, used by it in carrying on in Canada any of the businesses described in paragraphs *a* to *g* of section 363 where, in respect of acquisitions of property after 16 November 1978 resulting from an operation other than an amalgamation or a winding-up, both corporations have jointly elected under section 404.1, 415.3 or 418.11; and

(c) “specified predecessor” of a taxpayer means a person who is a predecessor of the taxpayer or of a person who is a specified predecessor of the taxpayer.”

(2) This section applies in respect of acquisitions of property of a predecessor by a successor corporation after 19 April 1983; where this section enacts paragraph *f* of section 332.1 of the Taxation Act, it has effect from 19 January 1984.

59. (1) Section 333 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Similarly, the expressions “exploration base”, “resource exploration base”, “supplementary depletion”, “earned depletion”, bituminous sands equipment” and “enhanced recovery equipment” have, for the purposes of this chapter, the meaning assigned to them by regulation.”

(2) This section has effect from 20 April 1983.

60. (1) Section 335 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs :

“(a) paragraph *a* of section 337 and sections 347 and 348 shall be read without taking into account the words “in Canada” and section 347 shall be read without taking into account the word “Canadian”;

“(b) subparagraph *b* of section 351 shall be read without taking into account the words “in Canada” and “resident in Canada”;

“(c) the second paragraph of section 353 shall be read without taking into account the words “containing, where the payee is an individual, the social insurance number of the individual” where the expenses contemplated therein have been paid to a person who is neither resident

in Canada nor deemed to be resident in Québec under sections 8, 9 and 10.”

(2) This section applies from the taxation year 1983.

61. (1) Section 336 of the said Act is amended by replacing paragraph *d* of subsection 1 by the following paragraph:

“(d) an overpayment of a pension received under the Old Age Security Act (Statutes of Canada), of a benefit paid under the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) or a similar plan within the meaning of that Act, of a benefit paid under the Labour Adjustment Benefits Act (Statutes of Canada), or under the Unemployment Insurance Act, 1971 (Statutes of Canada), received by an individual in a prior taxation year, up to the amount reimbursed by him in the year otherwise than as a deduction or withholding made on any other payment made to him in the year or under Part VIII of the Unemployment Insurance Act, 1971;”.

(2) This section applies from the taxation year 1984.

62. (1) Section 337 of the said Act is amended by replacing subparagraph iv of paragraph *a* by the following subparagraph:

“iv. an institution recognized by the Minister to be an institution by which courses other than courses designed for university credit, are conducted that provide or improve the qualifications necessary for any occupation;”.

(2) This section applies from the taxation year 1982.

63. (1) Section 338 of the said Act is amended by adding the following paragraph:

“In order that the fees paid to an educational institution contemplated in subparagraph iv of paragraph *a* of section 337 be deductible in computing an individual's income under section 337, the individual must be a student enrolled in the institution to acquire or to improve the qualifications necessary for an occupation.”

(2) This section applies from the taxation year 1982.

64. (1) Sections 351 to 356.2 of the said Act are replaced by the following sections:

“**351.** In this chapter,

(a) “eligible child” of an individual for a taxation year means a child of the individual or of his spouse, or a child in respect of whom the individual deducts an amount for the year under sections 695 to 701 or in respect of whom he may not deduct any amount for the year under the said sections by reason only of the fact that the child is under 16 years of age at the end of the year if, in any case, at any time during the year, the child is under 14 years of age or 14 years of age or over and dependent on the individual by reason of mental or physical infirmity;

(b) “child care expense” means an expense that is not excluded under section 352 and that is incurred for the purpose of providing, in Canada, for any eligible child of an individual, child care services, baby sitting services, day nursery services or lodging at a boarding school, a camp or any similar establishment if the child is kept to enable the individual or the supporting person of the child for the year, who resides with the child at the time the expense is incurred, to perform the duties of an office or employment, to carry on a business, either alone or as a partner actively engaged in it, to enroll in an occupational training course for which he received an allowance under the National Training Act (Statutes of Canada) or to carry on research or similar work for which he received a grant, and if the child is kept by a person resident in Canada who is not a person who is

i. the child’s father or mother;

ii. a supporting person of the child or a person under 21 years of age, and connected with the individual or his spouse by blood relationship, marriage or adoption; or

iii. a person in respect of whom the individual or a supporting person of the child deducts an amount for the year under sections 695 to 701 or cannot deduct any amount for the year under the said sections by reason only of the fact that the person is under 16 years of age at the end of the year;

(c) “supporting person” of an eligible child of an individual for a taxation year means a person who resides with the individual at any time during the year and at any time within 60 days of the end of the year and who is

i. the child’s father or mother;

ii. the individual’s spouse; or

iii. an individual who deducts an amount for the year under sections 695 to 701 in respect of the child or who cannot deduct any amount for the year under the said sections by reason only of the fact that the child is under 16 years of age at the end of the year;

(d) “earned income” of an individual means the aggregate

i. of his income from an office or employment, as defined in section 32, and any amount included in computing his income under sections 34 to 58;

ii. of amounts included in computing his income under paragraph *e*, *g* or *h* of section 312; and

iii. of incomes from businesses carried on by him, either alone or as a partner actively engaged in them.

“352. For the purposes of paragraph *b* of section 351, child care expenses shall not include expenses incurred in the year for lodging at a boarding school or camp which exceed the total amount of \$45 per week for each child, or the medical expenses contemplated in sections 717 to 721 or other expenses for medical or hospital care, clothing, transport or education or for board or lodging other than those provided in the said paragraph *b*.

“353. An individual may deduct, in computing his income for a taxation year, the aggregate of each amount paid in the year as child care expenses regarding any eligible child of the individual for the year, if the amount is paid either

(a) by the individual, if he is an individual contemplated in section 355 and the supporting person of the child for the year is a person described in subparagraph iv of paragraph *b* of the said section;

(b) or by the individual or by a supporting person of the child for the year in other cases.

In no case may an individual deduct any amount under the first paragraph unless proof of payment of the amount is given by filing with the Minister one or several receipts issued by the payee, including, where the payee is an individual, the social insurance number of the latter individual.

In addition, in no case may an individual deduct any amount under the first paragraph unless

(a) the amount is not included in computing the amount deductible under this section by another individual; and

(b) the amount is not an amount, other than an amount that is included in computing a taxpayer’s income and that is not deductible in computing his taxable income, in respect of which any taxpayer is or was entitled to a reimbursement or any other form of assistance.

“354. Subject to section 355, the amount deductible by an individual under section 353 must not exceed the amount by which

(a) the least of \$6 000, the product obtained when \$2 000 is multiplied by the number of eligible children of the individual for the year in respect of whom the expenses were incurred, and $\frac{2}{3}$ of the individual's earned income for the year, exceeds

(b) the aggregate of all amounts deducted for the year under section 353 by another individual in respect of whom section 355 applies for the year, respecting the individual's eligible children who are contemplated in paragraph a.

“355. Where the income for a taxation year of an individual who has an eligible child for the year exceeds the income for that year of a supporting person of that child, both incomes being computed without reference to this chapter and sections 311.1 and 313.1, the amount that may be deducted by the individual under section 353 for the year as child care expenses shall not exceed the lesser of

(a) the amount that would, but for this section, be deductible by him for the year under section 353; and

(b) an amount equal to \$45 per week for each eligible child of the individual for the year in respect of whom such child care expenses are incurred up to \$180 per week, for each week in the year during which child care expenses were incurred and throughout which the supporting person of a child of the individual was

i. a person in full-time attendance at a prescribed educational institution;

ii. a person certified by a qualified physician to be a person who was incapable of caring for children by reason of mental or physical infirmity which is likely to be for a long-continued period of indefinite duration or by reason of mental or physical infirmity and her confinement throughout a period of not less than two weeks in the year to bed, to a wheel-chair, or as a patient in a hospital, asylum or other similar institution;

iii. a person who was confined to prison or a similar institution throughout a period of not less than two weeks in the year; or

iv. a person who was separated from the individual, throughout a period of not less than 90 days commencing in the year, by reason of a breakdown of their marriage or of their life together.

“356. For the purposes of this chapter, where an individual who has an eligible child for a taxation year has an income for the year equal to the income of a supporting person of the child for that year, both incomes being computed without reference to this chapter and sections 311.1 and 313.1, the individual and the person cannot deduct any amount under this chapter for the year in respect of the child unless they jointly elect to treat the income of one of them as exceeding the income of the other for the year.

“356.1 Where an availability allowance contemplated in section 776.2 is paid for a taxation year in respect of a child who is also an eligible child, within the meaning of paragraph *a* of section 351, of an individual for the year, the limits prescribed by paragraph *a* of section 354 and by paragraph *b* of section 355 in respect of the individual for the year must be reduced in the same proportion as the number of his eligible children for whom such availability allowance is paid bears to the aggregate of that number and of the number of his other eligible children for whom the deduction for child care expenses is claimed for the year.”

(2) This section applies from the taxation year 1983; where section 356.1 of the Taxation Act enacted by it applies to the taxation years 1983 and 1984, the said section must read as follows:

“356.1 An individual may elect, in respect of his eligible children within the meaning of section 776.2, to claim, in the place and stead of the deduction that may be claimed by him or another person under section 353, the availability allowance contemplated in the said section 776.2.

Where the election contemplated in the first paragraph is made and an availability allowance referred to in section 776.2 is paid for a taxation year in respect of a child who is also an eligible child, within the meaning of paragraph *a* of section 351, of an individual for the year, the limits prescribed by paragraph *a* of section 354 and by paragraph *b* of section 355 in respect of the individual's children for the year must be reduced in the same proportion as the number of his children eligible for such availability allowance bears to the total number of his children for whom the deduction for child care expenses could be claimed.”

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

“(a) “outlay” or “expense” made or incurred by a taxpayer before a particular time does not include any amount paid or payable for services to be rendered after that time or any amount paid or payable as rent for a period after that time, but includes an amount designated by him at that time, under paragraph *b* of section 622 or 628, as a cost in respect

of property that is a Canadian resource property or a foreign resource property;”.

(2) This section has effect from 1 January 1981.

66. (1) Section 376 of the said Act is replaced by the following section:

“376. A corporation which acquires from another person at any time after 1971, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of that person, used by him in a business described in paragraphs *a* to *g* of section 363 carried on by him in Canada, may deduct, in computing its income for a taxation year, the aggregate of the Canadian exploration and development expenses incurred before that time by the person from whom property is so acquired, up to the amount computed under section 377 and only to the extent that such expenses were not deductible in computing the income of the corporation for a previous taxation year nor in computing that of the person from whom property is so acquired, for any taxation year.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

67. (1) Section 377 of the said Act is amended by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) the disposition of any property described in any of paragraphs *a* to *f* of section 370 owned by the person from whom property was acquired in accordance with the said section 376, immediately before the acquisition;

“(b) the production from wells or mines situated in Canada in respect of which the person from whom property was acquired in accordance with the said section 376 had, immediately before the acquisition, an interest or a right of removal; and

“(c) the amount by which the aggregate of all amounts each of which is required by paragraph *b* of section 330 to be included in computing its income for the year and which is an amount which is required by section 545, or section 564 when it refers to section 545, to be included in its income in respect of an allowance deducted by virtue of section 357 or 358 in computing the income of the person from whom the property was acquired in accordance with the said section 376, exceeds the aggregate of all amounts deducted by it by virtue of section 357 or 358 in computing its income for the year in respect of the disposition

of property by the person from whom property was acquired in accordance with the said section 376.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

68. (1) Sections 378 to 379 of the said Act are replaced by the following sections:

“378. A corporation that acquires from another corporation hereinafter called “first successor corporation”, at any time after 1971, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of the first successor corporation used by it in a business described in any of paragraphs *a* to *g* of section 363 carried on by it in Canada, which first successor corporation had itself acquired property from another person in accordance with section 376, may deduct, in computing its income for a taxation year, up to that part of its income that would be determined under section 377 if the reference to this section and section 403 were omitted therefrom, the aggregate of Canadian exploration and development expenses incurred by the latter before the acquisition of the property by the first successor corporation, to the extent that those expenses were not deductible in computing the income of the corporation for a previous taxation year nor in computing that of the first successor corporation or of the other person for any taxation year.

“378.1 Where the acquisition of property referred to in section 376 or 378 results from a transaction other than an amalgamation or a winding-up, those sections apply only if the corporation and the person referred to in section 376 or the first two corporations mentioned in section 378, as the case may be, jointly make an election to that effect in the prescribed form not later than the day that is the earlier of the days on which either of them is required to file its or his fiscal return pursuant to section 1000 for the taxation year in which the acquisition to which the election relates occurred.

“379. The person or the corporation from whom or which property was acquired in accordance with section 376 or 378 shall not, where an election referred to in section 378.1 has been made, deduct exploration and development expenses included in the aggregate referred to in the said section 376 or 378 in computing his or its income for a taxation year subsequent to that during which the property was acquired.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

69. (1) Section 380 of the said Act is amended

(1) by replacing subsection 1 by the following subsection:

“380. (1) A Canadian corporation that acquires from another person, at any time after 1971, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of that person used by him in a business described in any of paragraphs *a* to *g* of section 363 carried on by him outside Canada, may deduct, in computing its income for a taxation year, up to the amount computed under subsection 2, the aggregate of the foreign exploration and development expenses, incurred before that time by the person from whom property was so acquired and only to the extent that such expenses were not deductible in computing the income of the corporation for a previous taxation year nor in computing that of the person from whom property was so acquired for any taxation year.”;

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

“(a) the disposition of any property that would be described in paragraphs *a* to *f* of section 370 if the words “in Canada” were replaced therein by the words “outside Canada”, owned by the person from whom property was acquired in accordance with subsection 1, immediately before the acquisition;

“(b) the production from wells or mines situated outside Canada in respect of which the person from whom property was acquired in accordance with subsection 1 had, immediately before the acquisition, an interest or a right of removal; and

“(c) the amount by which the aggregate of all amounts each of which is required by paragraph *b* of section 330 to be included in computing its income for the year and which is an amount which is required by section 545, or section 564 when it refers to section 545, to be included in its income in respect of an allowance deducted by virtue of section 357 or 358 in computing the income of the person from whom property was acquired in accordance with subsection 1, exceeds the aggregate of all amounts deducted by it by virtue of section 357 or 358 in computing its income for the year in respect of the disposition of property by the person from whom property was acquired in accordance with subsection 1.”;

(3) by replacing subsection 3 by the following subsection:

“(3) A Canadian corporation that acquires from another corporation hereinafter called the “first successor corporation”, at any time after 1971, in any manner whatever, including an acquisition resulting from an amalgamation referred to in section 544, all or substantially all of the property of the first successor corporation used by it in a business described in any of paragraphs *a* to *g* of section 363 carried on by it outside Canada, which first successor corporation had itself acquired property from another person in accordance with subsection 1, may deduct, in computing its income for a taxation year, up to that part of its income that would be determined under subsection 2 if the reference therein to this subsection were omitted, the aggregate of the foreign exploration and development expenses incurred by the latter before the time of the acquisition of the property by the first successor corporation, to the extent that such expenses were not deductible in computing the income of the corporation for a previous taxation year nor in computing the income of the first successor corporation or of the other person for any taxation year.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983; where paragraph 2 of subsection 1 enacts paragraph *c* of subsection 2 of section 380 of the Taxation Act, the said paragraph 2 applies from the taxation year 1979; however, where the said paragraph *c* applies in respect of an allowance deducted in respect of the disposition of property acquired before 20 April 1983, it shall be read with the word “person” replaced by the word “corporation”.

70. (1) Section 383 of the said Act is amended

(1) by replacing subsection 1 by the following subsection:

“383. (1) The election contemplated in section 381 may be made only if the corporation in whose favour it is made has been a shareholder of the joint exploration corporation during the whole period, and has paid or loaned to the corporation an amount in respect of the Canadian exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses incurred or to be incurred by it in Canada.”;

(2) by replacing subsections 3 and 4 by the following subsections:

“(3) The agreed portion for such corporation shall not exceed the aggregate of the amounts so paid or loaned by the shareholder corporation during the period less the aggregate of the amounts which the joint exploration corporation has already renounced under section 381, 406, 417 or 418.13 in favour of the shareholder corporation.

“(4) For the purposes of subsection 3, an amount paid or loaned by the shareholder corporation does not include that portion of the amount paid or loaned by a shareholder corporation that was not a Canadian corporation and used by the joint exploration corporation to acquire a Canadian resource property after 11 December 1979 from a shareholder corporation that was not a Canadian corporation.”

(2) This section applies from the taxation year 1982.

71. (1) Section 384.1 of the said Act is amended by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) the corporation is deemed to be, after that time, a corporation that jointly elected with another person mentioned in paragraph *b* in the form prescribed under section 378.1, subsection 4 of section 380 and sections 404.1, 415.3 and 418.11, to the extent that that subsection and those sections refer to an election in respect of an acquisition of property contemplated in section 376, subsection 1 of section 380 and sections 402, 415 and 418.8 respectively;

“(b) the corporation is deemed to have acquired at that time from another person all or substantially all of the property of the person used by him in a business described in paragraphs *a* to *g* of section 363 that he carried on in Canada immediately before that time;

“(c) the exploration and development expenses incurred by the corporation before that time are deemed not to have been incurred by the corporation but to have been incurred by the other person mentioned in paragraph *b* before that time; and

“(d) except where the corporation ceases to be exempt from taxation on its taxable income under this Part, the following rules apply in computing the income of the corporation for its taxation year that includes that time:

i. any disposition by the corporation, in the year, before that time, of property mentioned in any of paragraphs *a* to *e* of section 328 is deemed to be a disposition mentioned in paragraph *a* of section 377, paragraph *a* of subsection 2 of section 380 or paragraph *a* of section 404;

ii. the words “any property owned by the person from whom property was acquired, immediately before the acquisition thereof by the corporation” that appear in paragraph *b* of subsection 1 of section 415 and in paragraph *b* of section 418.8 shall read as if they were replaced by the words “any property in the year and before that time”;

iii. paragraph *c* of subsection 2 of section 415 shall read without reference to property described in subsection 3 of the said section; and

iv. the production contemplated in paragraph *b* of section 377, paragraph *b* of subsection 2 of section 380, paragraph *b* of section 404, subparagraph *i* of paragraph *c* of subsection 2 of section 415 and paragraph *a* of sections 415.2 and 418.10 is deemed to include the production from wells or mines, as the case may be, situated on property in respect of which the corporation had an interest or a right of removal in the year and before that time.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983; where this section enacts paragraph *d* of section 384.1 of the Taxation Act, it applies to a taxation year ending after 12 November 1981 and the words “the person from whom property was acquired” appearing in subparagraph *ii* of the said paragraph shall be replaced by the words “the other corporation” in the case of an acquisition of property occurring before 20 April 1983.

72. (1) Section 384.2 of the said Act is amended by replacing that part of subsection 1 which precedes paragraph *a* by the following:

“**384.2** (1) Where a corporation acquires from another corporation, after 12 November 1981, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of the other corporation used by it in a business described in paragraphs *a* to *g* of section 363 that it carried on in Canada and section 384.1 applies in respect of the deduction of exploration and development expenses contemplated in the latter section incurred by the corporation from which property is so acquired, the following rules apply:”.

(2) This section applies in respect of the acquisition of property of a corporation by another corporation after 19 April 1983.

73. (1) Sections 402 and 403 of the said Act are replaced by the following sections:

“**402.** A corporation which, after 6 May 1974 in the case of an oil business or after 31 March 1975 in the case of a mining business, acquires from another person, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of that person used by him in a business described in any of paragraphs *a* to *g* of section 363 carried on by him in Canada, may deduct, in computing its income for a taxation year, an amount not exceeding the lesser of the amount computed under section 404 and the cumulative Canadian exploration expenses of the person from whom property was so acquired, determined immediately after the acquisition was made and only to the extent that such expenses

were not deducted in computing the income of the corporation for a previous taxation year nor in computing that of the person from whom property was so acquired for any taxation year.

“403. A corporation which, after 6 May 1974 in the case of an oil business or after 31 March 1975 in the case of a mining business, acquires from another corporation hereinafter called the “first successor corporation”, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of the first successor corporation used by it in a business described in any of paragraphs *a* to *g* of section 363 carried on by it in Canada, which first successor corporation had itself acquired property from another person in accordance with section 402, may, in computing its income for a taxation year, deduct an amount not exceeding the lesser of the amount that would be determined under section 404 if any reference to section 376 and to this section were omitted and the cumulative Canadian exploration expenses of the person from whom property was acquired in accordance with section 402, determined immediately after the acquisition of property by the first successor corporation, to the extent that such expenses were not deducted in computing the income of the corporation for a previous taxation year nor in computing the income of the first successor corporation or of the other person for any taxation year.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

74. (1) Section 404 of the said Act is amended by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) the disposition of any property described in paragraphs *a* to *f* of section 370 owned by the person from whom property was acquired in accordance with the said section 402 immediately before the acquisition;

“(b) the production from wells or mines situated in Canada in respect of which the person from whom property was acquired in accordance with the said section 402 had, immediately before the acquisition, an interest or a right of removal; and

“(c) the amount by which the aggregate of all amounts each of which is required by paragraph *b* of section 330 to be included in computing its income for the year and which is an amount which is required by section 545, or section 564 when it refers to section 545, to be included in its income in respect of an allowance deducted by virtue of section 357 or 358 in computing the income of the person from whom property

was acquired in accordance with section 402, exceeds the aggregate of all amounts deducted by it by virtue of section 357 or 358 in computing its income for the year in respect of the disposition of property by the person from whom property was acquired in accordance with section 402.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

75. (1) Sections 404.1 to 407 of the said Act are replaced by the following sections:

“404.1 Where the acquisition of property referred to in section 402 or 403 results from a transaction other than an amalgamation or a winding-up, those sections apply only if the corporation and the person referred to in section 402 or the first two corporations mentioned in section 403, as the case may be, jointly make an election to that effect in the prescribed form not later than the day that is the earlier of the days on which either of them is required to file his or its fiscal return pursuant to section 1000 for the taxation year in which the acquisition to which the election relates occurred.

“405. The person or the corporation from whom or which property was acquired in accordance with section 402 or 403 shall not, where an election referred to in section 404.1 has been made, deduct the cumulative Canadian exploration expenses mentioned in section 402 or 403 in computing his or its income for a taxation year subsequent to that during which the property was acquired.

“406. A joint exploration corporation, within the meaning of section 382, may, in any particular taxation year or within six months from the end of that year, elect in prescribed form to renounce in respect of that year in favour of a shareholder corporation an agreed portion of the aggregate of its Canadian exploration expenses incurred by it during a period ending before the end of the particular taxation year, to the extent that such aggregate exceeds the aggregate

(a) of all amounts deductible in respect of the expenses under section 400 in computing the income of the joint exploration corporation for a taxation year previous to the particular taxation year; and

(b) of all amounts of assistance or benefit that any person has received, is entitled to receive or, at any time, becomes entitled to receive from a government, municipality or any other public body in respect of such expenses incurred during the period or that can reasonably be related to Canadian exploration activities of the joint exploration corporation during the period, whether such amounts are by way of

a grant, subsidy, bonus, forgivable loan, deduction from royalty or tax, investment allowance or any other form of assistance or benefit.

Subsections 1, 3 and 4 of section 383 apply to that election, *mutatis mutandis*.

“407. Where an election is made under section 406, the portion of the expenses referred to therein is deemed, for the purposes of sections 395 to 399, to have been incurred in Canada by the shareholder corporation in its taxation year during which the particular taxation year referred to in the said section 406 ends or, if it does not have any such year, in its last taxation year, and the joint exploration corporation shall, in computing its cumulative Canadian exploration expenses, deduct that portion under paragraph *a* of section 399, at the time the election is made or, if it is made after the end of the particular taxation year, immediately before the end of that year.”

(2) Where this section replaces sections 404.1 and 405 of the Taxation Act, it applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

(3) Where this section replaces sections 406 and 407 of the Taxation Act, it applies in respect of Canadian exploration expenses incurred after 16 March 1983 by a joint exploration corporation unless they were incurred after that date and before 1 October 1984 in respect of amounts contemplated in subsection 1 of section 383 of the Taxation Act, enacted by section 70, that were paid or loaned to the joint exploration corporation in accordance with arrangements that were substantially advanced and established in writing before 17 March 1983; section 407 of the Taxation Act enacted by this section applies to an agreed portion of the aggregate of these expenses that were the object of a renunciation after 19 April 1983.

76. (1) Section 408 of the said Act is amended by replacing subparagraph iii of paragraph *a* by the following subparagraph:

“iii. drilling or converting a well in Canada for the injection of water, gas or any other substance to assist in the recovery of petroleum or natural gas from another well; or”.

(2) This section applies in respect of expenses incurred after 1980.

77. (1) Section 412 of the said Act is amended by replacing subparagraphs i and ii of paragraph *g* by the following subparagraphs:

“i. the lesser of the amount by which the amount determined under paragraph *a* of subsection 1 of section 415 in respect of the acquisition of property by the taxpayer acquired from a particular person before

that time, in accordance with section 415, exceeds the aggregate of amounts contemplated in paragraph *b* of the said subsection 1 that became receivable at or before that time by the taxpayer in respect of the disposition of such property, and the amount, by which the aggregate of the amounts contemplated in paragraph *b* of section 418.8 that became receivable at or before that time by the taxpayer in respect of the disposition of property acquired, in accordance with section 418.8, from the particular person exceeds the amount determined under paragraph *a* of section 418.8 in respect of the acquisition of such property; or

“ii. the lesser of the amount, by which the amount determined under paragraph *a* of subsection 1 of section 415.1 in respect of the acquisition of property by the taxpayer acquired from a particular person before that time in accordance with section 415.1, from a first successor corporation, exceeds the aggregate of amounts contemplated in paragraph *b* of the said subsection 1 that became receivable at or before that time by the taxpayer or the first successor corporation in respect of the disposition of property contemplated therein of the particular person, and the amount, by which the aggregate of the amounts contemplated in paragraph *b* of section 418.9 that became receivable at or before that time by the taxpayer or the first successor corporation in respect of the disposition of property contemplated therein of the particular person, exceeds the amount determined under paragraph *a* of section 418.9 in respect of the acquisition of such property; and”.

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

78. (1) Section 415 of the said Act is amended

(1) by replacing subsection 1 by the following subsection:

“415. (1) A corporation which, after 6 May 1974 in the case of an oil business or after 31 March 1975 in the case of a mining business, acquires from another person, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of the person, used by him in a business described in any of paragraphs *a* to *g* of section 363 carried on by him in Canada, may deduct, in computing its income for a taxation year, an amount not exceeding the lesser of the amount computed under section 415.2 and the amount by which

(*a*) the cumulative Canadian development expenses of the person from whom property was so acquired, determined immediately after the acquisition was made and only to the extent that these expenses were not deducted in computing the income of the corporation for a

previous taxation year or in computing that of the person from whom property was so acquired for any taxation year, exceed,

(b) the aggregate of all amounts that became receivable by it in the year or in a previous taxation year and included in the amount referred to in subparagraph i of paragraph b of section 412, that are reasonably attributable to the disposition by it of any property owned by the person from whom the property is so acquired immediately before the acquisition thereof by the corporation.”;

(2) by replacing subparagraph i of paragraph c of subsection 2 by the following subparagraph:

“i. its income for the year that may reasonably be attributed to the production of minerals from a mine in respect of which the person from whom property was acquired had, immediately before the acquisition referred to in this section, an interest or a right of removal and its income for the year which derives from royalties relating to the production of such a mine; and”;

(3) by replacing subsection 3 by the following subsection:

“(3) A property the description of which is provided for by paragraph c of subsection 2 is a property which was owned, immediately before the acquisition referred to in this section, by the person from whom property was acquired in accordance with this section.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

79. (1) Section 415.1 of the said Act is amended

(1) by replacing subsection 1 by the following subsection:

“415.1 (1) A corporation which, after 6 May 1974 in the case of an oil business or after 31 March 1975 in the case of a mining business, acquires from another corporation hereinafter called the “first successor corporation”, in any manner whatever, including an acquisition as a result of an amalgamation referred to in section 544, all or substantially all of the property of the first successor corporation that was used by it in a business described in any of paragraphs a to g of section 363 carried on by it in Canada and which had itself acquired property from another person in accordance with section 415, may deduct, in computing its income for a taxation year, an amount not exceeding the lesser of the amount that would be determined under section 415.2 if any reference to this section was omitted and the amount by which

(a) the cumulative Canadian development expenses of the person from whom property was acquired in accordance with section 415, determined immediately after the acquisition of property by the first successor corporation, to the extent that these expenses were not deducted in computing the income of the corporation for a previous taxation year nor in computing the income of the first successor corporation or of the other person for any taxation year, exceed

(b) the aggregate of

i. all amounts that became receivable by the first successor corporation in the year or in a previous taxation year and included in the aggregate referred to in subparagraph i of paragraph b of section 412, in computing the cumulative Canadian development expenses of the latter, in respect of the disposition by it of property owned, immediately before the acquisition referred to in section 415, by the person from whom property was acquired in accordance with section 415, and

ii. all amounts that became receivable by it in the year or in a previous taxation year and included in the amount referred to in subparagraph i of paragraph b of section 412, that are reasonably attributable to the disposition by it of property owned, immediately before the acquisition thereof by the first successor corporation, by the person from whom property was acquired in accordance with section 415.”;

(2) by replacing subparagraph i of paragraph c of subsection 2 by the following subparagraph:

“i. its income for the year that may reasonably be attributed to the production of minerals from a mine in respect of which the person from whom property was acquired in accordance with section 415 had, immediately before the acquisition referred to in the latter section, an interest or a right of removal and its income for the year which derives from royalties relating to the production of such a mine; and”;

(3) by replacing subsection 3 by the following subsection:

“(3) A property the description of which is provided for by paragraph c of subsection 2 is a property which was owned, immediately before the acquisition referred to in section 415, by the person from whom property was acquired in accordance with that section 415.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

80. (1) Section 415.2 of the said Act is amended by replacing paragraphs a and b by the following paragraphs:

“(a) the production from wells or mines situated in Canada in respect of which the person from whom property was acquired in accordance with section 415 had, immediately before the acquisition, an interest or a right of removal, and

“(b) the amount by which the aggregate of all amounts each of which is an amount required by paragraph *b* of section 330 to be included in computing its income for the year, and which is an amount which is required by section 545 or section 564, when it refers to section 545, to be included in its income in respect of an allowance deducted by virtue of section 357 or 358 in computing the income of the person from whom property was acquired in accordance with section 415, exceeds the aggregate of all amounts deducted by it by virtue of section 357 or 358 in computing its income for the year in respect of the disposition of property by the person from whom the property was acquired in accordance with section 415.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

81. (1) Sections 417 and 418 of the said Act are replaced by the following sections:

“417. A joint exploration corporation, within the meaning of section 382, may, in any particular year or within six months from the end of that year, elect in prescribed form to renounce in respect of that year in favour of a shareholder corporation an agreed portion of the aggregate of its Canadian development expenses incurred during a period ending before the end of the particular taxation year, to the extent that such aggregate exceeds the aggregate

(a) of all amounts deducted in respect of the expenses under sections 413 and 414 in computing the income of the joint exploration corporation for any taxation year previous to that particular taxation year; and

(b) of all amounts of assistance or benefit that any person has received, is entitled to receive or, at any time, becomes entitled to receive from a government, municipality or any other public body in respect of such expenses incurred during the period or that can reasonably be related to development activities of the joint exploration corporation during the period, whether such amounts are by way of a grant, subsidy, bonus, forgivable loan, deduction from royalty or tax, investment allowance or any other form of assistance or benefit.

Subsections 1, 3 and 4 of section 383 apply to such an election, *mutatis mutandis*.

“418. Where an election is made under section 417, the portion of the expenses referred to therein is deemed for the purposes of sections 408 to 412 to have been incurred in Canada by the shareholder corporation in its taxation year during which the particular taxation year referred to in the said section 417 ends or, if it does not have any such year, in its last taxation year, and the joint exploration corporation must, in computing its cumulative Canadian development expenses, deduct that portion under paragraph *a* of section 412 at the time that the election is made or, where the election is made after the end of the particular taxation year, immediately before the end of that year.”

(2) This section applies in respect of Canadian development expenses incurred after 16 March 1983 by a joint exploration corporation unless they were incurred after that date and before 1 October 1984 in respect of amounts contemplated in subsection 1 of section 383 of the Taxation Act, enacted by section 70, that were paid or loaned to the joint exploration corporation in accordance with arrangements that were substantially advanced and established in writing before 17 March 1983; section 418 of the Taxation Act enacted by this section applies to an agreed portion of the aggregate of the expenses that were the object of a renunciation after 19 April 1983.

82. (1) Sections 418.8 and 418.9 of the said Act are replaced by the following sections:

“418.8 A corporation which acquires from another person, in any manner whatever, including an acquisition as a result of an amalgamation described in section 544, all or substantially all of the property of that person used by him in a business described in any of paragraphs *a* to *g* of section 363 carried on by him in Canada, may deduct in computing its income for a taxation year any amount not exceeding the lesser of the amount computed under section 418.10 and 10% of the amount by which

(*a*) the cumulative Canadian oil and gas property expense of the person from whom property is so acquired, determined immediately after the acquisition and only to the extent that it has not been deducted in computing the income of the corporation for a previous taxation year or in computing the income of the person from whom property is so acquired for any taxation year, exceeds

(*b*) the aggregate of the amounts that became receivable by it in the year or in any previous taxation year and included in the amount contemplated in subparagraph *i* of paragraph *b* of section 418.6 that may reasonably be regarded as attributable to the disposition by the corporation of any property owned by the person from whom property

was so acquired, immediately before the acquisition thereof by the corporation.

“418.9 A corporation which acquires from another corporation hereinafter called the “first successor corporation”, in any manner whatever, including an acquisition as a result of an amalgamation described in section 544, all or substantially all of the property of the first successor corporation used by it in a business described in any of paragraphs *a* to *g* of section 363 carried on by it in Canada which first successor corporation had itself acquired property from another person in accordance with section 418.8, may deduct, in computing its income for a taxation year, an amount not exceeding the lesser of the amount that would be determined under section 418.10 if any reference to this section were omitted therein, and 10% of the amount by which

(a) the cumulative Canadian oil and gas property expense of the person from whom property was acquired in accordance with section 418.8, determined immediately after the acquisition of the property by the first successor corporation, to the extent that it has not been deducted in computing the income of the corporation for a previous taxation year nor in computing the income of the first successor corporation or of the other person for any taxation year, exceeds

(b) the aggregate

i. of the amounts that became receivable by the first successor corporation in the year or in any previous taxation year and included in the amount contemplated in subparagraph i of paragraph *b* of section 418.6 when computing the cumulative Canadian oil and gas property expense of the latter, in respect of the disposition by it of property owned by the person from whom property has been acquired in accordance with section 418.8 immediately before the acquisition contemplated in the said section 418.8; and

ii. the amounts that became receivable by it in the year or in any previous taxation year and included in the amount contemplated in subparagraph i of paragraph *b* of section 418.6, and that may reasonably be regarded as attributable to the disposition by it of any property owned by the person from whom property has been acquired in accordance with section 418.8 immediately before the acquisition thereof by the first successor corporation.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

83. (1) Section 418.10 of the said Act is amended by replacing paragraphs *a* and *b* by the following paragraphs:

“(a) the production from wells or mines situated in Canada in respect of which the person from whom property was acquired in accordance with the said section 418.8 had, immediately before the acquisition, an interest or a right of removal; and

“(b) the amount by which the aggregate of each amount that must be included under paragraph *b* of section 330 in computing its income for the year and that it must include therein under section 545 or under section 564 when referring to such section 545, in respect of an allowance deducted under section 357 or 358 in computing the income of the person from whom property has been acquired in accordance with section 418.8, exceeds the aggregate of each amount deducted by it under section 357 or 358, in computing its income for the year in respect of the disposition of property by the person from whom property has been acquired in accordance with section 418.8.”

(2) This section applies in respect of the acquisition of property of a person by a corporation after 19 April 1983.

84. (1) Sections 418.13 and 418.14 of the said Act are replaced by the following sections:

“**418.13** A joint exploration corporation, within the meaning of section 382, may, in any particular taxation year or within six months from the end of that year, elect in prescribed form to renounce, in respect of that year, in favour of a shareholder corporation an agreed portion of the aggregate of the Canadian oil and gas property expenses incurred by it in a period ending before the end of the particular taxation year, to the extent that the aggregate of such expenses exceeds the aggregate

(a) of all amounts deducted in respect thereof under section 418.7 in computing the income of the joint exploration corporation for any taxation year preceding the particular taxation year; and

(b) of all amounts of assistance or benefit that any person has received, is entitled to receive or, at any time, becomes entitled to receive from a government, municipality or any other public body in respect of such expenses incurred during the period or that can reasonably be related to such expenses incurred during the period, whether such amounts are by way of a grant, subsidy, bonus, forgivable loan, deduction from royalty or tax, investment allowance or any other form.

Subsections 1, 3 and 4 of section 383 apply to that election, *mutatis mutandis*.

“418.14 Where an election is made under section 418.13, the portion of the expenses referred to therein is deemed, for the purposes of sections 418.2 to 418.6, to be Canadian oil and gas property expenses incurred by the shareholder corporation in its taxation year during which the particular taxation year referred to in the said section 418.13 ends or, if it does not have any such year, in its last taxation year, and the joint exploration corporation shall, in computing its cumulative Canadian oil and gas property expenses, deduct that portion under paragraph *a* of section 418.6 at the time that the election is made or, where the election is made after the end of the particular taxation year, immediately before the end of that year.”

(2) This section applies in respect of the Canadian oil and gas property expenses incurred after 16 March 1983 by a joint exploration corporation unless they were incurred after that date and before 1 October 1984 in respect of amounts contemplated in subsection 1 of section 383 of the Taxation Act, enacted by section 70, that were paid or loaned to the joint exploration corporation in accordance with arrangements that were substantially advanced and established in writing before 17 March 1983; section 418.14 of the Taxation Act enacted by this section applies to an agreed portion of the aggregate of such expenses that are the object of a renunciation after 19 April 1983.

85. (1) The said Act is amended by inserting, after section 419, the following sections:

“419.1 Sections 419.2 to 419.4 apply where a taxpayer made a payment or a loan mentioned in subsection 3 of section 383, after 19 April 1983, to a joint exploration corporation and where the latter renounced, in favour of the taxpayer, at any time, in respect of the payment or loan, under section 406, 417 or 418.3, any Canadian exploration expenses or Canadian development expenses or Canadian oil and gas property expenses, called “resource expenses” in sections 419.2 to 419.4.

“419.2 Where the taxpayer contemplated in section 419.1 receives as consideration for the payment or loan property that is capital property to him, the following rules apply:

(a) he shall deduct in computing the adjusted cost base to him of the property at any time the amount of any resource expenses renounced by the corporation in his favour in respect of the payment or loan at or before that time;

(b) he shall deduct in computing the adjusted cost base to him at any time of any property for which the property, or any property substituted therefor, was exchanged the amount of any resource expenses

renounced by the corporation in his favour in respect of the payment or loan at or before that time except to the extent that such amount has been deducted under paragraph *a*; and

(c) the amount of any resource expenses renounced by the corporation in favour of the taxpayer in respect of the payment or loan at any time, except to the extent that the renunciation of such expenses results in a deduction under paragraph *a* or *b*, shall, for the purposes of this Act, be deemed to be a capital gain of the taxpayer from the disposition by him of property at that time.

“419.3 Where the taxpayer contemplated in section 419.1 receives as consideration for the payment or loan property that is not capital property to him, the following rules apply:

(a) he shall deduct in computing the cost to him of the property at any time the amount of any resource expenses renounced by the corporation in his favour in respect of the payment or loan at or before that time; and

(b) he shall include in computing the amount referred to in paragraph *f* of section 330 for a taxation year the amount of any resource expenses renounced by the corporation in his favour in respect of the payment or loan at any time in the year, except to the extent that such amount has been deducted by him under paragraph *a*.

“419.4 Where the taxpayer contemplated in section 419.1 does not receive any property as consideration for the payment, he shall include in computing the amount referred to in paragraph *g* of section 330 for a taxation year the amount of any resource expenses renounced by the corporation in his favour in respect of the payment in the year, except to the extent that such amount has been deducted by him from the adjusted cost base to him of shares of the corporation under paragraph *h* of section 257 in respect of the payment.”

(2) This section applies in respect of Canadian oil and gas property expenses incurred after 16 March 1983 by a joint exploration corporation, unless they were incurred after that date and before 1 October 1984 in respect of amounts contemplated in subsection 1 of section 383 of the Taxation Act, enacted by section 70, which were paid or loaned to the joint exploration corporation in accordance with arrangements that were substantially advanced and established in writing before 17 March 1983.

86. (1) Sections 427.1 to 427.3 of the said Act are repealed.

(2) This section applies in respect of dispositions of aviation turbine fuel occurring after 30 April 1983.

87. (1) Section 429 of the said Act is amended by replacing the first paragraph by the following paragraph:

“429. The rights and property that the taxpayer owned when he died, if they are not property contemplated in section 428, indexed security or capital property, and if the proceeds thereof when realized or disposed of were included in computing the taxpayer's income, shall be included at their value in computing his income for the year in which he died.”

(2) This section applies in respect of any death occurring after 30 September 1983.

88. (1) The said Act is amended by replacing the heading of Division III preceding section 436 by the following:

“CAPITAL PROPERTY, DEPRECIABLE
PROPERTY AND INDEXED SECURITIES”.

(2) This section has effect from 1 October 1983.

89. (1) Section 438.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

“438.1 For the purposes of determining the property referred to in sections 433, 434, 436, 437, 438 or sections 450.3 and 450.4 which belonged to an individual immediately before his death, where property is subject to a partition following the dissolution, owing to that death, of the matrimonial regime to which that individual was then subject, only the property forming part of his patrimony once that partition is effected is to be taken into account.”

(2) This section applies in respect of deaths occurring after 30 September 1983.

90. (1) Section 450.2 of the said Act is replaced by the following sections:

“450.2 For the purposes of sections 436, 438, 439, 444.1 and 450.1, the fair market value, immediately before the death of the taxpayer referred to in any of those sections, of any share of the capital stock of a corporation deemed to have been disposed of as a consequence of his death shall, where the corporation is a beneficiary of a life insurance policy under which the taxpayer is the person whose life is insured, be determined as though the fair market value of the policy at that time were the cash surrender value, within the meaning of paragraph *d* of section 966, of the policy at that time.

“ 450.3 Where an individual dies in a taxation year, the following rules apply:

(a) the deceased individual is deemed to have disposed, immediately before his death, of each indexed security which then belonged to him, at its fair market value, within the meaning of paragraph *b* of section 307.1, at that time;

(b) the deceased individual is deemed to have closed out, immediately before his death, each put or call option referred to in section 307.12 outstanding under an indexed security investment plan under which he was then a participant, at a cost equal to the amount he would have had to pay at that time if he had actually closed out the option on a prescribed Canadian stock exchange;

(c) any person who, by reason of that death, has acquired any security of the deceased individual that is deemed, under paragraph *a*, to have been disposed of by the deceased individual at any time, is deemed to have acquired the security immediately after that time at its fair market value, within the meaning of paragraph *b* of section 307.1, immediately before the death of the individual;

(d) any person who, by reason of that death, has assumed the obligation in respect of any put or call option that is deemed, under paragraph *b*, to have been closed out at any time by the deceased individual, is deemed to have written the option immediately after that time for proceeds of disposition equal to the amount the deceased individual would have had to pay immediately before his death if he had closed out the option on a prescribed Canadian stock exchange;

(e) notwithstanding paragraphs *a* to *d*, where the conditions described in section 450.4 are met, the trust or spouse referred to in that section shall compute its or his income for any taxation year as if

i. the indexed security investment plan prior to the death of the individual, in this paragraph referred to as the “first plan”, and the indexed security investment Plan at the time of and subsequent to that death, in this paragraph referred to as the “second Plan”, were two separate Plans administered by two separate persons;

ii. the trust or spouse was the participant under the first Plan at all times in the year prior to the death of the individual;

iii. the trust or spouse had transferred all the securities and obligations referred to in section 450.4 to the second Plan immediately before the death of the individual and sections 307.20 to 307.23 applied;

iv. in the case of the trust, the taxation year of the trust had commenced at the beginning of the year and ended on the day on which it would otherwise have ended.

“450.4 Paragraph *e* of section 450.3 applies only where all indexed securities which belonged to the deceased individual under an indexed security investment plan immediately before his death and all obligations outstanding at that time in respect of options written under the Plan have, upon or after the death of the individual and by reason thereof or by reason of a disclaimer or renunciation by a person who was a beneficiary under the individual's will or intestacy, been transferred or distributed to or assumed by the individual's spouse referred to in section 440 or a trust referred to in sections 440, 441 and 443 and only if it can be established, within such time limit as the Minister deems reasonable, that

(a) all rights and obligations of the individual under the contract evidencing the Plan have been transferred to or assumed by the spouse or, as the case may be, the trust, not later than fifteen months after the death of the individual; and

(b) the securities have become indefeasibly vested under the plan in the spouse or trust, as the case may be.”

(2) This section, where it replaces section 450.2 of the Taxation Act, applies in respect of deaths occurring after 31 December 1982 and, where it enacts sections 450.3 and 450.4 of the said Act, it applies in respect of deaths occurring after 30 September 1983.

91. (1) Section 451 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) “share of the capital stock of a family farm corporation” of an individual at a particular time means

i. a share of the capital stock of a corporation that, at that time, uses all or substantially all of its property in the carrying on of a farming business in Canada in which that individual, his spouse or his child is actively engaged; or

ii. a share of the capital stock of a corporation all or substantially all of the property of which consists, at that time, either of shares of the capital stock of one or more corporations described in subparagraph i or bonds, negotiable instruments, notes, hypothecs, mortgages or other similar obligations issued by such a corporation, of property used by the corporation in carrying on a farming business in Canada in which that individual, his spouse or his child is actively engaged, or of any combination of the properties described herein;”.

(2) This section applies in respect of transfers made after 25 May 1978.

92. (1) Section 485 of the said Act is amended by replacing subsection 1 by the following subsection:

“485. (1) Where, at any time in a taxation year, the obligation of a taxpayer to pay an amount is settled or extinguished after 1971 without any payment by him or by the payment of an amount less than the principal amount of the obligation, the excess of the lesser of the principal amount and the amount for which the obligation was issued over the amount paid must be applied to reduce, in the following order, his non-capital losses, his farm losses, his net capital losses and his restricted farm losses for the preceding taxation years to the extent that the amount of such losses would be otherwise deductible in computing the taxpayer’s taxable income for the year or for a subsequent year.”

(2) This section applies from the taxation year 1983.

93. (1) Section 487.6 of the said Act is replaced by the following section:

“487.6 For the purposes of sections 64 and 160, any benefit deemed to be received in a taxation year under section 487.1 or 487.3 is also deemed to be interest paid in the year and payable in respect of the year by the debtor in accordance with a legal obligation to pay interest on a loan.”

(2) This section applies from the taxation year 1984.

94. (1) Section 510.1 of the said Act is amended by adding the following paragraph:

“Moreover, where the shareholder is a person described in subparagraph *b* of the first paragraph, a dividend is deemed to be so received by a shareholder of a public corporation only if it is paid on a security that is not an indexed security.”

(2) This section applies in respect of dividends paid after 30 September 1983.

95. (1) Section 544 of the said Act is amended by replacing paragraphs *a* and *b* of subsection 4 by the following paragraphs:

“(a) the new corporation is deemed, in respect of exploration and development expenses contemplated in section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24) and the expenses

contemplated in sections 362 to 418.14 of the particular corporation or of a person from which the particular corporation acquired, in a manner similar to that provided for in section 376 or 378, all or substantially all the property used by the person in a business described in paragraphs *a* to *g* of section 363 and carried on by him in Canada, to continue the corporate existence of the particular corporation;

“(b) the new corporation is deemed, for the purposes of section 86 of the Act respecting the application of the Taxation Act (1972, chapter 24) and sections 376, 378, 380, 402, 403, 415, 415.1, 418.8 and 418.9, not to be, in respect of the expenses of the particular corporation contemplated in paragraph *a*, a corporation acquiring from another person, as a result of the amalgamation, all or substantially all the property used by that person in a business described in paragraphs *a* to *g* of section 363 and carried on by him in Canada.”

(2) This section applies in respect of acquisitions of the property of a person by a corporation after 19 April 1983.

96. (1) Section 547 of the said Act is amended by repealing subsection 2.

(2) This section applies in respect of amalgamations occurring after 31 December 1982.

97. (1) Section 547.1 of the said Act is amended by replacing the first paragraph by the following paragraph :

“**547.1** For the purposes of determining either the non-capital loss, the net capital loss, the restricted farm loss or the farm loss, as the case may be, of the new corporation for any taxation year, or the extent to which sections 734 to 736.0.4 have the effect of restricting the deductibility by the new corporation of such a loss, the new corporation is deemed to continue the corporate existence of any predecessor corporation.”

(2) This section applies in respect of amalgamations occurring after 31 December 1982.

98. (1) Section 547.2 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**547.2** Where a predecessor corporation had made an election pursuant to section 1029.1 in respect of a loss sustained by it in a taxation year and where an amount, in respect of that loss, would have been deemed to have been paid by it to the Minister pursuant to section 1029.2 on the last day of its first taxation year that would have begun at the

time of amalgamation if such a year had existed and if the corporation had had to pay sufficient tax for that year under this Part, that loss is deemed to have been a loss of the new corporation, the election is deemed to have been made by the latter and an amount deemed to have been paid to the Minister pursuant to section 1029.2 by the predecessor corporation in respect of that loss on the last day of a taxation year ending before the amalgamation is deemed to have been paid by the new corporation in respect of that loss on the last day of that year, for the purposes of determining either an amount deemed to have been paid to the Minister pursuant to section 1029.2 by the new corporation in respect of the loss on the last day of a taxation year, or the extent to which section 1029.3 has the effect of limiting an amount deemed to have been paid to the Minister pursuant to section 1029.2 by the new corporation in respect of the loss.”

(2) This section applies from the taxation year 1983.

99. (1) Section 560.2 of the said Act is amended by replacing the first paragraph by the following paragraph:

“560.2 For the purposes of this section and sections 559 to 560.1, the time that the taxpayer last acquired control of a subsidiary, where control of the subsidiary was acquired, otherwise than by way of succession or will, from a person or group of persons with whom he was not dealing at arm’s length otherwise than by reason of a right contemplated in paragraph *b* of section 20, is deemed to be the earlier of the time that the person or group of persons last acquired control of the subsidiary within the meaning of paragraph *b* of section 739 *mutatis mutandis*, and the time that the person or group of persons is deemed by this section to have last acquired control.”

(2) This section applies in respect of winding-ups commencing after 12 November 1981.

100. (1) Sections 564.2 and 564.3 of the said Act are replaced by the following sections:

“564.2 For the purposes of computing the taxable income of the parent corporation for any taxation year commencing after the commencement of a winding-up that is described in section 556 or would be if the expression “taxable Canadian corporation” were replaced therein by the expression “Canadian corporation”, such portion of any non-capital loss, restricted farm loss or farm loss of the subsidiary for a particular taxation year as may reasonably be regarded as its loss from carrying on a particular business, any other portion of any non-capital loss of the subsidiary from any other source for any such year

or the net capital loss sustained by the subsidiary for any such year is deemed, for the purposes of sections 727, 728.2, 729, 731, 734 and 735, to be a non-capital loss, a restricted farm loss or a farm loss of the parent corporation from the operation of a particular business of the subsidiary, a non-capital loss of the parent corporation from the source from which the subsidiary sustained the loss or a net capital loss of the parent corporation, respectively, which was sustained by the parent corporation for its taxation year during which the particular taxation year of the subsidiary ended and was not deductible in computing the taxable income of the parent corporation for any taxation year that commenced before the commencement of the winding-up.

“564.3 Section 564.2 does not apply except to the extent that the loss referred to therein was not deducted in computing the taxable income of the subsidiary for any taxation year and would be deductible in that computation for the first taxation year of the subsidiary commencing after the commencement of the winding-up if the subsidiary had such a taxation year, as well as sufficient income and taxable capital gains for that year.”

(2) This section applies in respect of

(a) restricted farm losses of a subsidiary determined for any taxation year subsequent to the taxation year 1977, where the winding-up of the subsidiary commenced after the taxation year 1982;

(b) non-capital losses and farm losses of a subsidiary, determined for any taxation year subsequent to the taxation year 1982; and

(c) net capital losses, where the winding-up of the subsidiary commenced after the taxation year 1982.

(3) Where section 564.2 of the Taxation Act, as it read before being replaced by this section, applies in respect of winding-ups commencing after 16 November 1978, the reference made therein to a winding-up described in section 556 of the said Act is deemed to include a reference to a winding-up that would be described in that section if the expression “taxable Canadian corporation” were replaced therein by the expression “Canadian corporation”.

101. (1) Sections 564.4.1 to 564.5 of the said Act are replaced by the following sections:

“564.4.1 Where section 564.2 applies and where, at any time, control of the parent corporation or subsidiary has been acquired by one or several persons each of whom is in section 564.4.2 referred to as the “purchaser”, the portion of the subsidiary’s non-capital loss or

farm loss for a taxation year ending before that time as may reasonably be regarded as its loss from carrying on a particular business is deductible by the parent corporation for a particular taxation year ending after that time only if throughout the particular year and after that time that business was carried on by the subsidiary or parent for profit or with a reasonable expectation of profit, and only up to the amount contemplated in section 564.4.2.

“564.4.2 The amount contemplated in section 564.4.1 is the aggregate of

(a) the parent’s income for the particular year from that business and where properties were sold, leased, rented or developed, or services were rendered in the course of carrying on that business before the time contemplated in the said section, from any other business substantially all the income of which was derived from the sale, leasing, rental or development, as the case may be, of similar properties or from the rendering of similar services; and

(b) the amount by which

i. the aggregate of the parent’s taxable capital gains for the particular year from the disposition of property owned by the subsidiary not later than the time contemplated in the said section, other than property that was acquired from the purchaser or from a person that did not deal at arm’s length with the purchaser, exceeds

ii. the amount, by which the aggregate of the parent’s allowable capital losses for the particular year from the disposition of property described in subparagraph i exceeds the aggregate of its allowable business investment losses from the disposition of such property.

“564.5 For the purposes of sections 563, 564.2 to 564.4.2, 564.7, 710 to 712, 727, 728.1, 729, 731, 734 to 735.1 and 1029.1 to 1029.6, a parent corporation incorporated or otherwise formed after the end of a taxation year during which one of its subsidiaries sustained a loss or made a gift is deemed, for the purposes of computing its taxable income for any taxation year and computing the amount deemed to have been paid by the parent corporation to the Minister pursuant to section 1029.2 in respect of that loss on the last day of any taxation year, to have been in existence during the period commencing immediately before the end of the first year during which the subsidiary sustained a loss or made a gift, as the case may be, and ending immediately after it was incorporated or otherwise formed, to have had throughout that period fiscal periods ending on the day of the year on which its first fiscal period ended and to have been controlled throughout that period by the person or persons who controlled it immediately after it was incorporated or otherwise formed.”

(2) This section, where it replaces sections 564.4.1 and 564.4.2 of the Taxation Act, applies in respect of non-capital losses and farm losses of a subsidiary, determined for any taxation year subsequent to the taxation year 1982.

(3) This section, where it replaces section 564.5 of the Taxation Act, applies in respect of winding-ups commencing after the taxation year 1982.

102. (1) Section 564.7 of the said Act is replaced by the following section:

“564.7 Where a subsidiary has made an election pursuant to section 1029.1 in respect of a loss that it has sustained in a particular taxation year and an amount, in respect of that loss, would have been deemed to have been paid by it to the Minister pursuant to section 1029.2 on the last day of its first taxation year which would have begun after the beginning of its winding-up, if such a taxation year had existed and if the subsidiary had had sufficient tax payable for such a year under this Part, the loss is deemed to have been sustained by the parent corporation in its taxation year during which the particular taxation year of the subsidiary ended, the election is deemed to have been made by the parent corporation for its taxation year during which the particular taxation year of the subsidiary ended and an amount deemed to have been paid by the subsidiary to the Minister pursuant to section 1029.2 in respect of the loss on the last day either of its taxation year during which its winding-up began, or of a taxation year preceding that year, is deemed to have been paid by the parent corporation in respect of the loss on the last day of the taxation year of the parent corporation during which the said taxation year of the subsidiary ended, for the purposes of determining either an amount deemed to have been paid by the parent corporation to the Minister pursuant to section 1029.2 in respect of the loss on the last day of a taxation year commencing after the beginning of the winding-up of the subsidiary, or the extent to which section 1029.3 has the effect of limiting an amount deemed to have been paid by the parent corporation to the Minister pursuant to section 1029.2 in respect of the loss.”

(2) This section applies from the taxation year 1983.

103. (1) Section 576.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of this section, where a foreign affiliate of a taxpayer has an interest in a partnership and the fair market value of the interest is at least 10% of the fair market value of the aggregate

of the interests in the partnership, the partnership is deemed to be another foreign affiliate of the taxpayer and the interest of the foreign affiliate in the partnership is deemed to be shares of the capital stock of that other foreign affiliate.”

(2) This section has effect from 13 November 1981.

104. (1) Section 600 of the said Act is amended by replacing that which precedes paragraph *a* by the following:

“**600.** Each member of a partnership shall compute, for a taxation year, his income, non-capital loss, net capital loss, restricted farm loss, farm loss or taxable income earned in Canada, as the case may be, as if each of the following hypotheses governing the interpretation of the provisions of this title applied:”

(2) This section applies from the taxation year 1983.

105. (1) Section 635 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) was not deducted in computing his taxable income for his taxation year in which the partnership’s taxation year in which the land was disposed of ended or for any previous taxation year;”

(2) This section applies from the taxation year 1983.

106. (1) Section 658 of the said Act is amended by replacing subsection 3 by the following subsection:

“(3) The accumulating income of a trust for a taxation year is, for the purposes of this chapter, the amount which, but for paragraph *b* of section 657 and sections 672 to 674, would be its income for the year less, where the trust is a trust described in subparagraph *a* of the first paragraph and in the second paragraph of section 653, the amount included in computing the income of the trust for the taxation year under a disposition deemed to have been made after 12 November 1981 under sections 653 to 656.1 or section 691.”

(2) This section has effect from 13 November 1981.

107. (1) Section 668 of the said Act is amended by replacing subsection 1 by the following subsection:

“**668.** (1) The part of the excess, for a taxation year, of the taxable capital gains of a trust over the aggregate of its allowable capital losses and net capital losses deducted under section 729 that may, having regard

to the circumstances and the terms and conditions of a trust arrangement, be reasonably considered to be part of the amount included under sections 659 or 661 to 663, in computing the income for the taxation year of a particular beneficiary if the trust is a mutual fund trust, or of a particular beneficiary resident in Canada if the trust is not a mutual fund trust, is deemed to be, for the purposes of sections 28 and 727 to 737, a taxable capital gain for the year of the particular beneficiary resulting from the disposition of capital property.”

(2) This section applies from the taxation year 1983 and in respect of amounts deductible under section 729 respecting losses determined for any taxation year ending after 31 December 1982.

108. (1) Section 672 of the said Act is amended by repealing the second paragraph.

(2) This section has effect from 13 November 1981; however, in respect of testamentary trusts, it applies to any taxation year commencing after 12 November 1981.

109. (1) Section 673 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) such part of its income for the taxation year, before any deduction under section 130.1, paragraph *a* or *b* of section 657 or under the regulations made under paragraph *a* of section 130, as is payable in the taxation year to a beneficiary under the trust; and”.

(2) This section has effect from 13 November 1981; however, in respect of testamentary trusts, it applies to any taxation year commencing after 12 November 1981.

110. (1) Section 674 of the said Act is replaced by the following section:

“**674.** The amount that must be deducted by a trust from the aggregate contemplated in section 673 is the aggregate of

(a) where the trust is a trust described in subparagraph *a* of the first paragraph of section 653 and in the second paragraph of that section, the proportion of the amount by which the amount included in computing its income for the taxation year under a disposition deemed to have been made, after 12 November 1981, under sections 653 to 656.1 or section 691 exceeds the amount by which its income for the taxation year before any deduction under section 130.1, paragraph *a* or *b* of section 657 or under the regulations made under paragraph *a* of section 130,

exceeds the amount determined under the second paragraph, that the amount determined under paragraph *a* of section 673 is of the amount determined under the second paragraph; and

(*b*) that proportion of the amount by which its designated income for the taxation year that is not a designated income arising, in the case of the trust contemplated in subparagraph *a*, from any disposition described in subparagraph *a* or, in the case of a testamentary trust, from any disposition made before 13 November 1981, exceeds the amount by which its income for the taxation year before any deduction under section 130.1, paragraph *a* or *b* of section 657 or under the regulations made under paragraph *a* of section 130, minus the amount determined under the second paragraph, exceeds the amount included in computing its income for the taxation year under any disposition described in subparagraph *a*, that part of its income for the taxation year, before any deduction under section 130.1, paragraph *a* or *b* of section 657 or the regulations made under paragraph *a* of section 130, that is payable in the taxation year to a beneficiary in the trust contemplated in section 672 is of the amount determined under the second paragraph.

The amount contemplated in the first paragraph is the aggregate of the amounts determined under paragraphs *a* and *b* of section 673 and every amount in respect of the accumulating income of the trust for the taxation year that is included in computing the income of a preferred beneficiary under the trust, by virtue of section 659."

(2) This section has effect from 13 November 1981; however, in respect of testamentary trusts, it applies to any taxation year commencing after 12 November 1981.

111. (1) Sections 676 and 676.1 of the said Act are replaced by the following sections:

"676. For the purposes of section 663, such portion of the amount which, where sections 672 to 674 apply to the trust, is contemplated in subparagraph *a* of the first paragraph of section 674 or which otherwise is the amount by which the amount described in section 663 exceeds the amount deductible, under paragraph *a* of section 657 as may reasonably be considered to be part of the amount that by virtue of section 663 was included in computing the income for the year of a particular beneficiary and as was not designated by the trust in respect of any other beneficiary, if such part was so designated in respect of him by the trust in the return of its income for the year under this Part, is deemed not to be payable in a taxation year of a trust to any particular beneficiary under the trust.

“676.1 Such portion of the amount contemplated in subparagraph *b* of the first paragraph of section 674 as may reasonably be considered to be part of the amount that by virtue of section 663 was included in computing the income for a taxation year of a particular beneficiary under the trust contemplated in section 672 and as was not designated by the trust in respect of any other such beneficiary, is deemed, for the purposes of section 663, not to be payable in the year to a particular beneficiary if that part was so designated in respect of him by the trust in the return of its income for the year under this Part.”

(2) This section applies to any taxation year ending after 12 November 1981.

112. (1) Section 689 of the said Act is replaced by the following section:

“689. Where the property contemplated in section 688 is other than an indexed security or non-depreciable capital property, the cost to the taxpayer of the property shall be determined under paragraph *b* of section 688 as if the words “the excess” were replaced therein by the words “one-half of the excess”.”

(2) This section has effect from 1 October 1983.

113. (1) Section 693 of the said Act is replaced by the following section:

“693. A taxpayer may, for purposes of computing his taxable income for a taxation year, deduct the amounts provided for by this book.

However, the taxpayer shall apply the provisions of this book in the following order: section 737.8, Titles II, III, IV, V, VI, VI.1 and VII and sections 737.4 to 737.6.”

(2) This section applies from the taxation year 1983.

114. (1) Section 705 of the said Act is replaced by the following section:

“705. For the purposes of this title, a grossed-up dividend means the amount that must be included, by virtue of subsections 1 and 2 of section 497, in computing the income of an individual for a taxation year, but does not include any such amount in respect of a dividend that he receives from a corporation with which he does not deal at arm's length, that he is deemed to receive by virtue of sections 504 to 510.1 and 517, that he receives as a taxable dividend on an indexed security or that he is deemed to receive by virtue of section 666 as a taxable

dividend if, in the latter case, the dividend is received by reason of the individual's ownership of an indexed security or if the dividend may reasonably be considered to relate to a taxable dividend received by a trust on an indexed security."

(2) This section applies in respect of taxable dividends received after 30 September 1983.

115. (1) Section 721 of the said Act is replaced by the following section:

"721. The medical expenses for which an individual or his legal representatives have received a reimbursement or are entitled thereto and which are not expenses in respect of which a prescribed provision applies are not deductible as a medical expense paid by such individual or his legal representatives."

(2) This section applies from the taxation year 1982.

116. (1) Section 726 of the said Act is amended in the first paragraph

(1) by replacing that which precedes paragraph *a* by the following:

"726. An individual who during the year is a married person may deduct for the year the amount by which";

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

"(b) the amount by which the aggregate of his spouse's income for the year and the amount included in computing his spouse's taxable income for the year under section 737.8 exceeds the amount of \$3 600 deductible under section 695."

(2) This section applies from the taxation year 1983.

117. (1) Section 726.1 of the said Act is replaced by the following section:

"726.1 An individual may deduct for the year the amount provided for in section 965.18."

(2) This section applies from the taxation year 1983.

118. (1) Sections 727 to 729 of the said Act are replaced by the following sections:

“727. A taxpayer may deduct his non-capital losses for the seven taxation years preceding and for the three taxation years following the year.

“728. For the purposes of section 727, the “non-capital loss” of a taxpayer for a taxation year means the aggregate of all his losses for the year from an office, employment, business or property, of his allowable business investment loss for the year and of all amounts deductible in computing his taxable income for the year under sections 725 and 738 to 746 or 845, less the aggregate of

(a) the excess amount for the year in respect of the taxpayer of the aggregate of the amounts determined under paragraphs *a* and *b* of section 28 over the amount determined under subparagraph *i* of paragraph *c* of the latter section;

(b) any amount specified by him in his election for the year under section 737.8; and

(c) the amount that would be his farm loss for the year if section 728.2 were read without the second paragraph thereof.

“728.1 A taxpayer may deduct his farm losses for the ten taxation years preceding and the three taxation years following the year.

“728.2 For the purposes of section 728.1, the “farm loss” of a taxpayer for a taxation year means the amount by which the lesser of the two following amounts exceeds the amount determined under the second paragraph:

(a) the amount by which all his losses for the year from a farming or fishing business exceed the aggregate of his income for the year from such a business; and

(b) the amount that would be his non-capital loss for the year if section 728 were read without paragraphs *b* and *c* thereof.

The amount referred to in the first paragraph is the amount by which any amount specified by the taxpayer in his election for the year under section 737.8 exceeds the amount that would be his non-capital loss for the year if section 728 were read without paragraph *b* thereof.

“729. A taxpayer may deduct his net capital losses for the taxation years preceding and the three taxation years following the year, up to the aggregate of the excess contemplated for the year in respect of the taxpayer in paragraph *b* of section 28 and, if the taxpayer is an individual, that part of the amount of \$1 000 which exceeds the amount of the excess contemplated for the year in respect of him in subparagraph *iii* of paragraph *c* of section 28.”

(2) This section, where it replaces sections 727 and 729 of the Taxation Act and enacts section 728.1 of the said Act, applies in respect of

(a) the computation of taxable income for any taxation year ending after 31 December 1982; however,

i. farm losses are determined only for any taxation year ending after 31 December 1982; and

ii. in the application of section 727 of the Taxation Act, enacted by this section, to non-capital losses determined for any taxation year ending before 1 January 1983, the said section 727 shall be read as if the word "seven" were replaced by the word "five"; and

(b) non-capital losses and farm losses of a taxpayer determined for any taxation year ending after 31 December 1982 and his net capital losses determined for any taxation year ending after 31 December 1983; however,

i. in the application of sections 727 and 728.1 of the Taxation Act, enacted by this section, to non-capital losses and farm losses determined for the taxation year 1983, the said sections shall be read as if the word "three" were replaced by the word "two", where, in the taxation year 1983, the taxpayer is neither an individual other than a trust, nor a corporation that is entitled to deduct an amount under subparagraphs i and ii of paragraph *d* of subsection 1 of section 771 of the said Act in computing its tax payable for that year or, that would be so entitled if it had sufficient income for the year from carrying on an eligible business and if the carry-back period for such losses were the three years preceding the taxation year 1983; and

ii. in the application of section 729 of the Taxation Act, enacted by this section, to net capital losses determined for the taxation year 1984, the said section 729 shall be read as if the word "three" were replaced by the word "two".

(3) This section, where it replaces section 728 of the Taxation Act and enacts section 728.2 of the said Act, applies to any taxation year ending after 31 December 1981; however, in their application to the taxation year 1982, the said sections 728 and 728.2 of the Taxation Act, enacted by this section, shall be read without reference to paragraphs *b* and *c* of sections 728 and 728.2.

119. (1) Section 731 of the said Act is replaced by the following section:

“731. A taxpayer may deduct his restricted farm losses for the ten taxation years preceding the taxation year and for the three taxation years following the taxation year up to his income for the year from all farming businesses carried on by him.”

(2) This section applies in respect of

(a) the computation of taxable income for any taxation year ending after 31 December 1982; however, in the application of section 731 of the Taxation Act, enacted by this section, to restricted farm losses determined for any taxation year ending before 1 January 1983, the said section 731 shall be read as if the word “ten” were replaced by the word “five”; and

(b) restricted farm losses of a taxpayer determined for any taxation year ending after 31 December 1982; however, in the application of section 731 of the Taxation Act, enacted by this section, to restricted farm losses determined for the taxation year 1983, the said section 731 shall be read as if the word “three” were replaced by the word “two”, where in the taxation year 1983 the taxpayer is neither an individual other than a trust, nor a corporation that is entitled to deduct an amount under subparagraphs i and ii of paragraph d of subsection 1 of section 771 of the said Act in computing its tax payable for that year or that would be so entitled if it had sufficient income for the year from carrying on a qualified business and if the carry-back period for such losses were the three years preceding the taxation year 1983.

120. (1) Sections 734 to 736.0.1 of the said Act are replaced by the following sections:

“733.1 For the purposes of this title, a taxpayer’s non-capital loss, farm loss, net capital loss and restricted farm loss for a taxation year during which he was not resident in Canada shall be determined as if, throughout the period contemplated in subparagraph b of the second paragraph of section 23, in the case of an individual contemplated in section 23, 24 or 25 in respect of whom such a period applies, and throughout the year in any other case, the taxpayer had no income other than income described in paragraphs a and b of section 1090, his only taxable capital gains and allowable capital losses were taxable capital gains and allowable taxable losses from the disposition of taxable Canadian property and his only losses were losses from businesses carried on by him in Canada.

“734. A non-capital loss, a farm loss, a net capital loss or a restricted farm loss is deductible for a particular taxation year under section 727, 728.1, 729, 731 or 737 only to the extent that it exceeds the aggregate of the amounts deducted under this title in respect of that loss for the taxation years preceding the particular taxation year.

“735. No amount is deductible as a non-capital loss, farm loss, net capital loss or restricted farm loss under section 727, 728.1, 729, 731 or 737 for any year, as long as the corresponding deductible losses for the previous years have not been deducted.

“735.1 Notwithstanding sections 727 and 728.1, no deduction may be made by a corporation in computing its taxable income for a taxation year following the year in which a non-capital loss or a farm loss, as the case may be, is sustained, in respect of that loss, where an election contemplated in section 1029.1 was made in respect of that loss for the taxation year during which the loss was sustained.

“736. Section 729 does not have the effect of permitting a corporation to deduct

(a) an amount as a net capital loss of a preceding year if control of the corporation was acquired before the end of the taxation year by a person or persons who did not control such corporation at the end of that preceding year; or

(b) an amount as a net capital loss of a subsequent year if control of the corporation was acquired before the commencement of that subsequent year by a person or persons who did not control such corporation at the commencement of the taxation year.

“736.0.1 Where control of a corporation was acquired at any time by one or several purchasers, the corporation shall not deduct, for a particular taxation year ending after that time, as a non-capital loss, or farm loss, as the case may be, such portion of the loss in a taxation year ending before that time as may be considered as its loss from carrying on a particular business.

If throughout the particular year and after that time the business was carried on by the corporation for profit or with a reasonable expectation of profit, the corporation may deduct for the particular year that portion of such a loss up to the aggregate of

(a) the corporation's income for the particular year from the business and, where the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, from any other business substantially all the income of which was derived from the sale, leasing, rental or development as the case may be, of similar properties, or the rendering of similar services; and

(b) the amount by which the corporation's taxable capital gains exceed the amount by which the aggregate of the corporation's allowable capital losses exceeds its allowable business investment losses for the

particular year from the disposition of property owned by the corporation when the control was acquired and that the corporation had not acquired from a purchaser referred to in the first paragraph or a person who did not deal at arm's length with such a purchaser.

"736.0.1.1 Where control of a corporation was acquired at any time by one or several purchasers, the corporation shall not deduct for a particular taxation year commencing before that time, as a non-capital loss or farm loss, as the case may be, such portion of the loss in the taxation year commencing after that time as may be considered as its loss from carrying on a particular business.

If throughout the taxation year and in the particular year the business was carried on by the corporation for profit or with a reasonable expectation of profit, the corporation may deduct that portion of such a loss up to its income for the particular year from the business and, where the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, from any other business substantially all of the income of which was derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services."

(2) This section, where it enacts section 733.1 of the Taxation Act, applies in respect of the computation of taxable income for any taxation year ending after 31 December 1982 and in respect of losses determined for such a year.

(3) This section, where it replaces sections 734 to 735.1 of the Taxation Act, applies in respect of the computation of taxable income for any taxation year ending after 31 December 1982 and in respect of losses determined for such a year.

(4) This section, where it replaces section 736 of the Taxation Act, applies in respect of acquisitions of control occurring in any taxation year ending after 31 December 1981; however, in the application of section 736 to acquisitions of control occurring either before 20 April 1983, or after 19 April 1983 but before 20 April 1984, if the arrangements therefor were substantially advanced and evidenced in writing on 19 April 1983, paragraph *b* of the said section shall be read as if the words "of a subsequent year" were replaced by the words "of a subsequent year other than that immediately following the taxation year".

(5) This section, where it replaces section 736.0.1 of the Taxation Act and enacts section 736.0.1.1 of the said Act, applies in respect of acquisitions of control occurring in any taxation year ending after 31

December 1983; however, in the application only of section 736.0.1.1 of the said Act, enacted by this section, the said section 736.0.1.1 applies in respect of acquisitions of control occurring in any taxation year ending after 31 December 1979, but where it applies in respect of acquisitions of control occurring either before 20 April 1983, or after 19 April 1983 but before 20 April 1984, if the arrangements therefor were substantially advanced and evidenced in writing on 19 April 1983, the said section 736.0.1.1 shall be read as if the words "a particular taxation year commencing before that time" were replaced by the words "a particular taxation year commencing before that time other than the year immediately preceding the year in which the loss was sustained".

121. (1) Section 736.0.2 of the said Act is amended by replacing paragraph *c* by the following paragraph:

"(c) each excess amount is deemed to be the non-capital loss or the farm loss, as the case may be, or is added to such a loss of the corporation for the taxation year immediately preceding that of the acquisition of control as a loss from carrying on either the business in which the depreciable property is used at that time or the business to which the intangible capital amount is related, as the case may be;"

(2) This section applies in respect of acquisitions of control occurring in any taxation year ending after 31 December 1982.

122. (1) Section 737 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**737.** Where a taxpayer dies in a taxation year, section 729 shall be read, for the purpose of computing his taxable income for that year and the preceding taxation year, in such a manner as to permit the taxpayer to deduct "his net capital losses for the taxation years preceding and the taxation year following the year""

(2) This section applies in respect of deaths occurring after 31 December 1983.

123. (1) Section 737.2 of the said Act is amended by replacing paragraph *b* by the following paragraph:

"(b) the ratio that the Consumer Price Index for Canada published by Statistics Canada under the Statistics Act (Statutes of Canada) for the twelve-month period ending on 30 September of that year bears to the Consumer Price Index so published for the twelve-month period ending on 30 September of the preceding year, which ratio must be adjusted in such manner as may be prescribed and rounded to the nearest one-thousandth or, where the ratio is equidistant from two one-thousandths, to the greater thereof."

(2) This section applies from the taxation year 1982.

124. (1) Section 737.7 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the individual remits to the Minister, within thirty days from the day of mailing of the first notice of assessment under this Part in respect of his income for the year, all the assessed tax, interest and penalties then remaining unpaid for the year, other than any portion of that tax the payment of which is deferred by reason of an election made under section 1032, whether or not an objection to, an appeal or a summary appeal from the assessment, under chapter IV of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), is outstanding; and”.

(2) This section applies from the taxation year 1983.

125. (1) Section 737.8 of the said Act is replaced by the following section:

“**737.8** An individual who is resident in Canada throughout a taxation year shall add in computing his taxable income for the year the amount by which such portion of his accumulated averaging amount at the end of the preceding taxation year as he specifies in an election in prescribed form filed by him with the Minister, with his return of income for the year under this Part, on or before the day on which he is required to file the return or would be so required if tax were payable by him for the year under this Part, exceeds the aggregate of amounts that would be his non-capital loss or farm loss for the year if section 728 were read without paragraph *b* thereof, and section 728.2 without the second paragraph thereof.”

(2) This section applies from the taxation year 1983.

126. (1) Sections 743 and 744 of the said Act are replaced by the following sections:

“**743.** The amount of any loss sustained by a taxpayer arising from transactions relating to a share he owned that was neither capital property nor an indexed security and in respect of which he received a dividend, is deemed to be the amount of that loss otherwise determined, minus the aggregate of all amounts received by him as dividends on that share, other than capital gains dividends within the meaning of sections 1106 and 1116, to the extent that the amount was not an amount on which he was required to pay a prescribed tax.

“744. For the purposes of section 83 and the regulations made thereunder, a taxpayer other than a prescribed trust or a partnership, holding a share that is neither a capital property nor an indexed security and who receives a dividend in respect of the share shall, in computing at any particular time after 12 November 1981 the fair market value of the share, add to such value otherwise computed the aggregate of all amounts, determined without reference to section 666, he has received before that time as dividends on the share, other than capital gains dividends within the meaning of sections 1106 and 1116.”

(2) This section applies in respect of dividends received after 30 September 1983.

127. (1) Section 752.2 of the said Act is amended by replacing paragraph *i* of subparagraph *b* of the first paragraph by the following paragraph:

“*i.* the aggregate of his tax that would otherwise have been payable under this Part, computed without taking account of sections 752.1 to 776.1.5, 776.6 to 776.20, 1183 and 1184 and the proportion contemplated in the second paragraph of section 22 or 25, for each of the three taxation years immediately preceding the year of his death if he had been resident in Québec throughout those years, had derived all his income for those years from sources situated in Québec and had specified for each of those years, in elections made under section 737.8, $\frac{1}{3}$ of his accumulated averaging amount at the end of the year in which he died, exceeds”.

(2) This section applies from the taxation year 1982.

128. (1) Section 759 of the said Act is amended by replacing paragraph *a* of subsection 1 by the following paragraph:

“(a) subtract from his income for each year of the averaging period, meaning in this division the taxation year and the preceding four years for which he filed a fiscal return, all deductions permitted for such year under Book IV, except those contemplated in sections 695 to 701 or 737.1 to 737.12 and a loss sustained in the three years following the year in question or deducted, under this paragraph, from the income for a previous taxation year of the averaging period;”.

(2) This section applies from the taxation year 1980.

129. (1) Section 766 of the said Act is replaced by the following sections:

“766. Any amount, in respect of a loss, deducted in the computation under paragraph *a* of subsection 1 of section 759 or included in the computation of the aggregate of losses contemplated in paragraph *b* of the said subsection 1, is, for the purpose of computing the taxable income for the taxation years following the year in question, deemed to have been deducted in respect of that loss in computing the taxable income for a taxation year preceding the year for which the loss was determined.

“766.1 Paragraph *u* of section 87 and sections 101 and 257 do not apply to such portion of an amount deducted by a taxpayer under subsection 5 of section 127 of the Income Tax Act (Statutes of Canada) in computing his tax payable under the said Act for a particular taxation year or a subsequent taxation year, as may reasonably be attributed to the amount added, under subsection 9 of section 119 of the said Act, in computing the amount determined, at the end of the particular taxation year, under subsection 9 of the said section 127 in respect of the taxpayer.”

(2) This section applies from the taxation year 1983.

130. (1) Section 770 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) 20 per cent of the amount of its taxable income after having deducted from such income the excess of its taxable capital gains for the year over its allowable capital losses for the year and after having increased such income by the amounts deducted for the year under section 729; or”.

(2) This section applies from the taxation year 1983 in respect of amounts deductible under section 729 of the Taxation Act in respect of losses determined for any taxation year subsequent to the taxation year 1982.

131. (1) Sections 771.2 and 771.3 of the said Act are replaced by the following sections:

“771.2 Where a corporation has made an election contemplated in section 1029.1 in respect of a loss that it has sustained during a particular taxation year, the tax payable by it pursuant to subsection 1 of section 771 for any taxation year subsequent to the particular taxation year must be computed as if the corporation, for the purpose of establishing the amount used as a basis for computing the amount that the corporation may deduct for the year pursuant to subsection 1 of section 125 or subsection 3 of section 137 of the Income Tax Act (Statutes of Canada), could disregard the deduction allowed in computing its taxable income for that subsequent year in respect of the loss.

“771.3 For the purposes of subparagraph *i* of each of paragraphs *c* and *d* of subsection 1 of section 771, the excess amount contemplated in either said subparagraph *i* for a particular taxation year is deemed, in the case of a corporation that is throughout the particular year a Canadian-controlled private corporation and has for the particular year income that is not from an eligible business carried on by it and in respect of which subsection 8 of section 125 of the Income Tax Act (Statutes of Canada) or subsection 6 of section 129 of the said Act applies for the purpose of determining the amount used as a basis for computing the amount that the corporation may deduct pursuant to subsection 1 of the said section 125 in computing the tax payable by it for the particular year pursuant to the said Act, to be equal to the aggregate of

(a) the excess amount which, but for this section, would be determined for the particular year in respect of the corporation in accordance with the said subparagraph *i*; and

(b) the amount determined in section 771.4 for the particular year in respect of the corporation.

“771.4 Subject to the second paragraph, the amount contemplated in paragraph *b* of section 771.3 in respect of the corporation for the particular year contemplated therein is the amount by which

(a) the lesser of the amount used as a basis contemplated in section 771.3 and the amount by which, for the particular year, its income from a business or property exceeds its losses from a business or property exceeds

(b) the aggregate of the excess amount contemplated in paragraph *a* of section 771.3 and such portion of the excess amount contemplated in paragraph *a* as exceeds the excess amount that would be determined under the latter paragraph *a* if account were taken only of the amounts included or deducted in computing the excess amount contemplated in paragraph *a* of section 771.3 and of the amounts in respect of which subsection 8 of section 125 of the Income Tax Act (Statutes of Canada) or subsection 6 of section 129 of the said Act applies for the purpose of determining the amount used as a basis contemplated in section 771.3.

However, the amount determined under the first paragraph shall in no case be greater than the income determined for the purposes of the Income Tax Act for the particular year and derived from the amounts in respect of which subsection 8 of section 125 or subsection 6 of section 129 of the said Act applies for the purpose of determining the amount used as a basis contemplated in section 771.3.”

(2) This section, where it replaces section 771.2 of the Taxation Act, applies from the taxation year 1983 and, where it replaces section 771.3 and enacts section 771.4 of the said Act, it applies from the taxation year 1982.

132. (1) Section 776.1 of the said Act is replaced by the following section:

“776.1 An individual may deduct from his tax otherwise payable for a taxation year under this Part, computed without taking account of sections 752.1 to 752.5 and after any other deduction allowed for the year under this Part except a deduction allowed under section 776.17, an amount equal to 3% of the amount of that tax otherwise payable for the year.”

(2) This section applies from the taxation year 1982.

133. (1) Section 776.5 of the said Act is replaced by the following section:

“776.5 Notwithstanding section 776.2, where a deduction provided for in section 353 is claimed by an individual or another person in respect of an eligible child of the individual for a taxation year, the individual is not entitled to receive any availability allowance for the year in respect of his eligible children.”

(2) This section applies from the taxation year 1983; however, where section 776.5 of the Taxation Act enacted by this section applies to the taxation years 1983 and 1984, the said section 776.5 shall read as follows:

“776.5 For the purposes of section 356.1, where a deduction provided for in section 353 is claimed by an individual or another person in respect of an eligible child of the individual for a taxation year, the individual is deemed to have made the election contemplated in the said section 356.1 and is not entitled to receive an availability allowance.”

134. (1) The said Act is amended by inserting, after section 776.5, the following:

“TITLE V

“SCIENTIFIC RESEARCH TAX CREDIT

“CHAPTER I

“INTERPRETATION

“**776.6** For the purposes of this Part,

(a) “scientific research tax credit” of an individual other than a trust for a taxation year means the aggregate of the amounts each of which is equal to 25% of the amount designated by a corporation under section 776.10 in respect of a qualifying security acquired in the year by the individual where the individual is the first holder thereof; however, in the case of an individual contemplated in the second paragraph of section 22, 25 or 26, that aggregate shall be multiplied by the proportion contemplated in the second paragraph of those sections;

(b) “unused scientific research tax credit” of an individual other than a trust for a taxation year means an amount equal to the amount by which his scientific research tax credit for the year exceeds his tax otherwise payable for the year under this Part.

“**776.7** In this title and Title V.I,

(a) “qualifying security” means

- i. a share,
 - ii. a bond, debenture, negotiable instrument, mortgage, hypothec or any other similar debt; or
 - iii. a right under a scientific research financing contract,
- issued or granted after 30 September 1983, other than a prescribed security;

(b) “holder” of a qualifying security means

- i. in the case of a security described in subparagraph i or ii of paragraph *a*, a registered holder other than a broker or dealer in securities acting as an intermediary;
- ii. in the case of a security described in subparagraph iii of paragraph *a*, a holder other than a broker or dealer in securities acting as an intermediary;

(c) “tax otherwise payable” by an individual under this Part for a taxation year means the tax payable by him for the year under this Part, computed without reference either to this title or to sections 752.1 to 752.5.

“776.8 For the purposes of this title and Title V.1, a partnership is deemed to be a person and its taxation year is deemed to correspond to its fiscal period.

“776.9 For the purposes of this title, “scientific research financing contract” means a contract in writing pursuant to which an amount is paid by a person to a corporation as consideration for the granting by the corporation to that person of an absolute or contingent right to receive income, other than interest or dividends.

“CHAPTER II

“DESIGNATION BY A CORPORATION

“776.10 For the purposes of this Part, a taxable Canadian corporation may designate, in respect of a qualifying security issued by it, an amount equal to the prescribed amount.

No designation contemplated in the first paragraph is valid unless it is made in the prescribed manner and form.

“776.11 Where a corporation has designated an amount under section 776.10 in respect of a qualifying security, no amount may be designated at any subsequent time in respect of that qualifying security.

“CHAPTER III

“BENEFICIARY UNDER TRUST

“776.12 For the purposes of this title and sections 255 to 258, where an individual, other than a broker or dealer in securities, is a beneficiary under a trust and an amount is designated by a corporation under section 776.10 in respect of a qualifying security acquired by the trust, in a taxation year of the trust, where the trust is the first holder thereof, the following rules apply:

(a) the trust may, having regard to all the circumstances including the terms and conditions of the trust arrangement, in its fiscal return for that year, attribute to the individual the prescribed portion of that amount, to the extent that that portion was not attributed by the trust to any other beneficiary under the trust; and

(b) the prescribed portion contemplated in paragraph *a* that is attributed to the individual is deemed to be an amount designated by the corporation, under section 776.10, on the last day of that year, in respect of a qualifying security acquired by the individual on that day where the individual is the first holder thereof.

“CHAPTER IV

“MEMBER OF PARTNERSHIP

“776.13 For the purposes of this title and sections 255 to 258, where an individual other than a broker or dealer in securities is a member of a partnership and an amount is designated by a corporation under section 776.10 in respect of a qualifying security acquired by the partnership, in a taxation year of the partnership, where the partnership is the first holder thereof, such portion of that amount as may reasonably be considered to be the individual's share thereof is deemed to be an amount designated by the corporation, under section 776.10, on the last day of that year, in respect of a qualifying security acquired by the individual on that day where the individual is the first holder thereof.

“CHAPTER V

“COST OF CERTAIN PROPERTY

“DIVISION I

“COST OF QUALIFYING SECURITY

“776.14 For the purposes of this Part, where in a taxation year a person has acquired and is the first holder of a qualifying security in respect of which an amount was designated by a corporation under section 776.10, the cost to him of the security is deemed to be that provided for in section 776.15.

“776.15 The cost to a person of a qualifying security contemplated in section 776.14 is equal to the amount by which

(a) its cost as otherwise determined to the person contemplated therein exceeds

(b) 50% of the designated amount contemplated therein in respect of the security.

“776.16 Where the amount determined under paragraph *b* of section 776.15 exceeds the amount determined under paragraph *a* of the said section 776.15, the excess,

(a) where the qualifying security contemplated in section 776.14 is a capital property to the person contemplated in the said section 776.14, is deemed to be a capital gain of the person, for the year in which the security is acquired, from the disposition of that property, and

(b) in any other case, shall be included in computing the income of the person for that year.

The cost to that person of the qualifying security is in that case deemed to be nil.

“CHAPTER VI

“DEDUCTION

“**776.17** An individual other than a trust may deduct from his tax otherwise payable for a taxation year under this Part an amount not greater than the aggregate of his scientific research tax credit for the year and his unused scientific research tax credit for the following taxation year.

“TITLE V.1

“COST OF CERTAIN SECURITIES GIVING RIGHT TO TAX CREDIT

“**776.18** For the purposes of this Part, where in a taxation year a corporation has acquired and is the first holder of a qualifying security in respect of which an amount was designated by another corporation under subsection 4 of section 194 of the Income Tax Act (Statutes of Canada), the cost to the corporation of the security is deemed to be that provided for in the second paragraph.

The cost to a corporation of a qualifying security contemplated in the first paragraph is equal to the amount by which

(a) its cost as otherwise determined to the corporation contemplated therein exceeds

(b) 50% of the designated amount contemplated therein in respect of the security.

“**776.19** For the purposes of this Part except Title VI.1 of Book VII, where in a taxation year a person has acquired and is the first holder of a share in respect of which an amount was designated by a corporation under subsection 4 of section 192 of the Income Tax Act (Statutes of Canada), the cost to him of that share is deemed to be that provided for in the second paragraph.

The cost to a person of a share contemplated in the first paragraph is equal to the amount by which

(a) its cost as otherwise determined to the person contemplated therein exceeds

(b) the designated amount contemplated therein in respect of the share.

“776.20 Where the amount determined under paragraph *b* of section 776.18 or 776.19, as the case may be, exceeds the amount determined under paragraph *a* of the said section 776.18 or 776.19, as the case may be, the excess

(a) where the qualifying security or share, as the case may be, contemplated in section 776.18 or 776.19 respectively is a capital property to the person contemplated in the said section 776.18 or 776.19, as the case may be, is deemed to be a capital gain of the person for the year in which the qualifying security or share, as the case may be, is acquired, from the disposition of that property; and,

(b) where paragraph *a* does not apply, shall be included in computing the income of the person for the year of the acquisition.

The cost to that person of the qualifying security or share, as the case may be, is in that case deemed to be nil.”

(2) This section applies from the taxation year 1982; however, for the purpose of computing the scientific research tax credit of an individual for his taxation year 1983, where he has so elected in his fiscal return for that year, the expression “acquired in the year” in paragraph *a* of section 776.6 of the Taxation Act enacted by this section shall read “acquired in the year or not later than sixty days after the end of the year, to the extent that no amount is included in respect of that acquisition in computing his scientific research tax credit for any subsequent taxation year.”

135. (1) Section 832.1 of the said Act is amended

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

“832.1 A life insurer resident in Canada, or a non-resident insurer, that carries on an insurance business in Canada and in a country other than Canada, that acquires property for some other purpose and that at a later time commences to use or hold it in the year in carrying on its insurance business in Canada, is deemed to dispose of the property at that later time at its fair market value at that time and to immediately thereafter reacquire the property at a cost equal to that fair market value.”;

(2) by adding the following paragraph:

“This section does not apply in respect of subparagraph *i* of paragraph *e* of section 93, subparagraph *iv* of the said paragraph *e* where it refers to the capital cost of property, paragraph *d* of section 835 where the said paragraph *d* applies to paragraph *c* of section 840, paragraph *e* of section 841, paragraph *c* of section 844 or the regulations under section 818.”

(2) This section applies in respect of a change in the use of property occurring during a taxation year commencing after 12 November 1981.

136. (1) Section 835 of the said Act is amended by replacing what precedes paragraph *a* by the following:

“**835.** In this title Division XIV.1 of Chapter IV of Title IV of Book III, sections 92.9 to 104, 130, 130.1, 135, 137 to 163.1, 176 to 179, 183, 428 to 451, 570, 736.1, 828 and 1087 to 1102.3:”

(2) This section has effect from 1 October 1983.

137. (1) Section 961.1.2 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the amount by which the cost to him of his owner-occupied home and prescribed furnishings intended therefor exceeds the aggregate of the amounts deducted by him in computing his income for the year under section 952.1 or not included by him in the computation for the year or a previous year under section 955 and which are payments contemplated in paragraphs *a*, *a.1* and *d* of the said section 955.”

(2) This section has effect from 14 December 1984.

138. (1) Section 961.1.3 of the said Act is amended by inserting, after paragraph *a*, the following paragraph:

“(a.1) the individual has received, before 1 January 1986, all the funds accumulated in a home ownership savings plan under which he is the beneficiary;”

(2) This section has effect from 14 December 1984.

139. (1) Section 965.7 of the said Act is amended by inserting, after paragraph *c*, the following paragraph:

“(c.1) it is not a share in respect of which the corporation having issued it has designated an amount under section 776.10 or in respect

of which a tax credit related to research and development may be claimed for the purposes of a statute of the Government of Canada or the government of another province;”.

(2) This section applies from the taxation year 1982.

140. Section 965.21 of the said Act is amended by adding the following paragraph:

“The same rule applies for the deemed disposition of such a share after 30 September 1983 under section 307.10 or 450.3.”

141. (1) Section 976 of the said Act is amended by replacing paragraph *h* by the following paragraph:

“(h) in the case of an interest in a life annuity contract, within the meaning of the regulations under section 966, to which section 92.9, 92.11 or 92.12 applies for the taxation year that includes the particular time or would apply if the contract had a third anniversary in the year, all amounts each of which is a mortality gain, within the meaning of the regulations and determined by the issuer of the contract in accordance with the regulations, in respect of the interest immediately before the end of the calendar year ending in a taxation year commencing before the particular time.”

(2) This section applies to taxation years commencing after 31 December 1982.

142. (1) Section 976.1 of the said Act is amended

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

“(e) in the case of an interest in a life insurance policy, other than an annuity contract, that was last acquired after 1 December 1982 by the policyholder, all amounts each of which is the net cost of pure insurance, within the meaning of the regulations and determined by the issuer of the policy in accordance with the regulations, in respect of the interest immediately before the end of the calendar year ending in a taxation year commencing after 31 May 1985 and before the particular time;”;

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

“(g) in the case of an interest in a contract described in paragraph *h* of section 976, all amounts each of which is a mortality loss, within the meaning of the regulations and determined by the issuer of the contract in accordance with the regulations, in respect of the interest before the particular time.”

(2) This section applies to taxation years commencing after 31 December 1982.

143. (1) The said Act is amended by inserting, immediately before Book VIII of Part I, the following:

“TITLE VIII

**“RESERVE ACCOUNTS FOR CONTINGENT LOSSES
BY MARKET-MAKERS**

“CHAPTER I

“DEFINITIONS

“979.1 In this title,

(a) “reserve account for contingent losses” means an account described in section 979.2;

(b) “market-maker” means a trading representative registered with the Commission des valeurs mobilières du Québec to carry on his activity for his own account or as the employee of a clearing member on the trading floor of the Montreal Stock Exchange and appointed by the Exchange to maintain the market of the listed stocks;

(c) “clearing member” means a person registered as a member of a clearing house recognized by the Montreal Exchange;

(d) “particular period” means, in respect of a market-maker who works for his own account, a fiscal period and, in respect of a market-maker who is an employee, the determined period used as a basis, for the clearing member, for determining his position at any time;

(e) “profit” or “loss” of a market-maker for a particular period means, in respect of a person who works for his own account, his income or loss for the particular period from his transactions as market-maker, determined in accordance with this Part but without reference to this title and, in respect of an employee, his position, at the end of the particular period, with regard to his transactions as market-maker, determined by his clearing member.

“CHAPTER II

“GENERAL RULES

“979.2 A reserve account for contingent losses is a separate account held in accordance with a written agreement under which a clearing member undertakes to keep in such account the contributions that a market-maker elects to pay thereinto and under which the latter may withdraw amounts therefrom to compensate for losses resulting from his transactions as market-maker.

“979.3 Where a market-maker is an employee, he shall pay contributions into his reserve account for contingent losses by means of a withholding made by the clearing member from the amount paid to the employee, otherwise than as guaranteed remuneration, for his share of the profit made over a particular period.

The amount so withheld and paid into the account is deemed to be paid, for the purposes of this Part, by the clearing member to the market-maker at the time of the payment contemplated in the first paragraph and to be, simultaneously, received by the market-maker and paid by him into the account.

“979.4 The income from the use of funds accumulated in a reserve account for contingent losses held in respect of a market-maker shall not form part of the account and shall be excluded therefrom as soon as it is earned.

“979.5 A clearing member in charge of the administration of the reserve account for contingent losses of a market-maker may, upon the request and for the benefit of the latter, transfer the funds accumulated in that account to another similar account administered by another clearing member with whom the market-maker has entered into an agreement as provided in section 979.2.

Where such a transfer is made, the market-maker shall not include, in computing his income for a taxation year, by reason only of the transfer, the amount of transferred funds and shall not deduct in his computation any amount in respect of the funds transferred.

“CHAPTER III

“DEDUCTIONS

“979.6 A market-maker who is an individual other than a trust and is resident in Québec on 31 December of a taxation year may deduct,

in computing his income as market-maker for the year from his employment or business, as the case may be, an amount not exceeding the contributions paid by him into his reserve account for contingent losses in the year, if he is an employee, or in the particular period that coincides with the year or ends in that year, or within 60 days following that particular period to the extent that he has not deducted those contributions for the previous taxation year, if he works for his own account.

“979.7 The deduction contemplated in section 979.6 may not exceed, where the market-maker is an employee, the least of

(a) the amount by which \$65 000 exceeds the guaranteed remuneration received by him in the year in respect of his employment as market-maker;

(b) 50% of the profits paid to him in the year otherwise than in the form of guaranteed remuneration; or

(c) the amount by which the sum of \$500 000 plus the aggregate of the amounts withdrawn by him from his reserve account for contingent losses in the year or a previous taxation year and then included in computing his income exceeds the aggregate of the deductions he is allowed to make under section 979.6 for the previous taxation years.

“979.8 The deduction contemplated in section 979.6 shall not exceed, where the market-maker works for his own account, the least of

(a) \$65 000;

(b) 50% of his profits for the particular period; or

(c) the amount by which the sum of \$500 000 plus the aggregate of the amounts withdrawn by him from his reserve account for contingent losses within the particular period or a previous particular period and then included in computing his income exceeds the aggregate of the deductions he is allowed to make under section 979.6 for the previous taxation years.

“CHAPTER IV

“AMOUNTS TO BE INCLUDED

“979.9 A market-maker shall include, in computing his income as market-maker for a taxation year from his employment or business, as the case may be, any amount withdrawn by him from his reserve account for contingent losses in the year, if he is an employee, or in the particular period that coincides with the year or ends in that year, if he works for his own account.

“979.10 Notwithstanding section 979.9, a market-maker is not required to include, in computing his income, an amount withdrawn by him from his reserve account for contingent losses to the extent that the amount represents the amount by which the contribution paid by him into that account in a taxation year, if he is an employee, or in a particular period that coincides with a taxation year or ends in that year, if he works for his own account, exceeds the deduction he is allowed to make in respect of that contribution under section 979.6 for that year, if he is an employee, or for that year or a previous taxation year, if he works for his own account.

“979.11 Notwithstanding section 979.9, a market-maker who is an employee is not required to include, in computing his income for a taxation year, an amount withdrawn by him from his reserve account for contingent losses within the year, to the extent that he uses that amount to compensate for his share of a loss pursuant to an agreement entered into under section 979.2.

“CHAPTER V

“CESSATION OF ACTIVITIES OR OF RESIDENCE IN QUÉBEC

“979.12 Where a market-maker ceases to act as such on the trading floor of the Montréal Stock Exchange by reason of his death or for any other reason or where he ceases to be resident in Québec, he is deemed to have withdrawn, immediately before that cessation, the balance of the funds accumulated in his reserve account for contingent losses, his clearing member is deemed to have paid to him that balance then and, if the market-maker works or then worked for his own account, the fiscal period of his business during which the cessation occurs is deemed, in respect of the aggregate of the amounts withdrawn by him from the account during that fiscal period, to end at the cessation; in the latter case, the election provided for in section 190 or 601 does not apply in respect of those amounts.

“979.13 Where he is resident in Canada outside Québec on the last day of the taxation year during which he ceases to act as such or to be resident in Québec as provided in section 979.12, a market-maker who is or was an employee is deemed, in respect of the aggregate of the amounts withdrawn by him from his reserve account for contingent losses in the year, to the extent that those amounts should otherwise be included in the computation of his income for the year from his employment, in accordance with sections 979.9 to 979.11, to have carried on a business having an establishment in Québec at some time in the year and whose income attributable to that establishment for a fiscal

period having ended in the year is equal to the aggregate of those amounts; in such case, the market-maker shall not include those amounts under sections 979.9 to 979.11 in computing his income for the year from his employment.

For the purposes of this section, where an individual ceases to be resident in Canada during a taxation year, the last day of his taxation year is the last day on which he was resident in Canada.

“979.14 The election provided for in the second paragraph of section 429 applies in respect of the balance of funds accumulated in a reserve account for contingent losses by a market-maker who is deemed, under section 979.12, to have withdrawn such balance from the account immediately before his death and by reason thereof.

However, sections 430 to 432 do not apply in respect of the balance contemplated in the first paragraph.

“CHAPTER VI

“JOINT AND SEVERAL OBLIGATIONS

“979.15 A clearing member who, during a taxation year, fails to make the deduction in accordance with section 1015 in respect of the payment of the amount contemplated in paragraph *p* of the said section, shall be jointly and severally liable, up to the amount he should have deducted, to pay any amount payable, under this Act, by the beneficiary contemplated in the said section 1015 for the same taxation year or, if the beneficiary carries on a business as market-maker, for the taxation year in which the fiscal period of the business, during which the payment is made or with which the fiscal period coincides, ends.

“CHAPTER VII

“ADMINISTRATION

“979.16 A copy of the written agreement contemplated in section 979.2 shall be transmitted by the signatories to the Montréal Stock Exchange, which shall keep it.

“979.17 The written agreement contemplated in section 979.2 shall contain a clause, agreed upon by the signatories, providing that the Montréal Stock Exchange shall transmit a copy thereof to the Minister upon his request.

“979.18 A clearing member with whom a market-maker has entered into a written agreement as in section 979.2 shall keep a register of all transactions made in respect of the reserve account for contingent losses by the market-maker.”

(2) This section applies from the taxation year 1984 in the case of a market-maker who is an employee and in respect of a fiscal period commencing after 10 May 1983, in the case of a market-maker who works for his own account.

144. (1) Section 998 of the said Act is amended by replacing the part of paragraph *c.2* which precedes subparagraph *i* by the following:

“(c.2) a corporation all of the shares, and rights to acquire shares, of the capital stock of which were owned by one or more registered retirement plans, by one or more trusts all the beneficiaries of which are registered pension plans, by one or more segregated fund trusts, within the meaning of paragraph *k* of section 835, all the beneficiaries of which are registered retirement plans or one or more prescribed persons or, in the case of a corporation without share capital, all the property of which was held exclusively for the benefit of one or more such plans and, in either case, without interruption from the later of the date on which the corporation was incorporated and 16 November 1978, is a corporation that”.

(2) This section applies to taxation years commencing after 31 December 1978.

145. (1) Section 1006 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1006. Where the Minister ascertains that the amount of a taxpayer’s non-capital loss, net capital loss, restricted farm loss or farm loss for a taxation year is different from the amount reported by the taxpayer in his return of income for that year in accordance with section 1000, he shall, at the request of the taxpayer, determine, with all due dispatch, the amount of such loss, and shall send a notice of determination to the person by whom the return was filed.”

(2) This section applies from the taxation year 1983.

146. (1) Section 1010 of the said Act is amended

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

“(a.1) within seven years from the day contemplated in paragraph *a* where the Minister shall reassess the taxpayer’s tax in accordance with section 1012 or should reassess the tax if the taxpayer has claimed an amount in the prescribed time limit pursuant to section 1012 or where, following another taxpayer’s tax reassessment in accordance with this paragraph or section 1012, it is advisable to reassess the taxpayer’s tax for any relevant taxation year;”;

(2) by adding the following subsection:

“(3) However, the Minister may, under paragraph *a.1* of subsection 2, reassess or make an additional assessment beyond the four-year period contemplated in paragraph *a* of subsection 2 only to the extent that the reassessment or additional assessment may be reasonably regarded as related to the tax reassessment contemplated in the said paragraph *a.1*.”

(2) This section has effect from 20 April 1983.

147. (1) Section 1012 of the said Act is replaced by the following sections:

“**1012.** Where a taxpayer has filed the fiscal return required by section 1000 for a taxation year and where following that, not later than the day on or before which he is required to file such fiscal return for the subsequent taxation year relating to the amount contemplated in section 1012.1 or would be required to file it if he had to pay any tax under this Part for that subsequent taxation year, he shall claim or cause to be claimed for his account an amount for the taxation year by sending to the Minister, in the prescribed form, an application to amend the fiscal return for the taxation year, and the Minister shall reassess the taxpayer’s tax for any relevant taxation year which is not a taxation year previous to the taxation year, to take into account the amount claimed.

“**1012.1** For the purposes of section 1012, the amount that may be claimed by the taxpayer or for his account for a taxation year is the amount that the taxpayer may deduct for that taxation year under

(a) subparagraph iii of paragraph *c* of section 28 following the application, by reason of the taxpayer’s death occurring during a subsequent taxation year, of section 452 in respect of a deductible capital loss for the taxation year;

(b) sections 265 to 269 in respect of a loss on precious property for a subsequent taxation year;

(c) sections 710 to 716 in respect of a gift made during a subsequent taxation year;

(d) sections 727 to 737 in respect of a loss for a subsequent taxation year;

(e) section 776.20 in respect of the unused portion of his scientific research tax credit for a subsequent taxation year.”

(2) This section has effect from 20 April 1983; however, where the subsequent taxation year contemplated in section 1012 of the Taxation Act, enacted by this section, is a taxation year ending after 31 December 1982, the application made in the prescribed form contemplated in the said section 1012 shall be filed, for that subsequent taxation year, not later than the last day on which it is required to be filed in accordance with the said section 1012, or on *(insert here the date of the 90th day following the date of assent to this Act)*, whichever is later.

148. (1) Section 1015 of the said Act is amended by replacing what follows paragraph *o* by the following:

“(p) an amount from a reserve account for contingent losses described in section 979.2,

shall deduct or withhold therefrom the prescribed amount and shall remit it in accordance with the prescribed forms and at the prescribed date to the Minister on account of the tax payable by the payee for the same taxation year or, in the case of an amount contemplated in paragraph *p* and paid to a payee who carries on a business as market-maker, for the taxation year in which the fiscal period of his business, during which the payment is made and the year with which the fiscal period coincides, ends.”

(2) This section has effect from 11 May 1983.

149. (1) Section 1029.1 of the said Act is amended by adding the following paragraph:

“For the purposes of this division, the “non-capital loss” of a corporation for a taxation year is the aggregate, for the year, of its non-capital loss within the meaning of section 728 and its farm loss within the meaning of section 728.2.”

(2) This section applies from the taxation year 1983.

150. (1) Section 1029.2 of the said Act is amended by replacing subparagraph *i* of paragraph *a* by the following subparagraph:

“i such proportion of 3 per cent of the amount by which such loss exceeds the part of the loss it deducted in computing its taxable income for each of the three preceding 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 from the taxation year 1983.

151. (1) Section 1029.9 of the said Act, enacted by section 29 of chapter 35 of the statutes of 1984, is replaced by the following section:

“1029.9 The holder, on 31 December of a year, of a permit in force for transport by taxi, within the meaning of the regulations, for a consideration, who meets the requirements prescribed by regulation, is deemed to have paid to the Minister on the day on which he is required, in accordance with section 1000, to file his fiscal return for his taxation year including that date, or on which he would have been required to file such return if he had had any tax to pay for that taxation year under this Part, on account of his tax payable for that taxation year under this Part, an amount of \$500 for each permit.”

(2) This section applies from the taxation year 1984.

152. (1) Section 1044 of the said Act is replaced by the following section:

“1044. Where, for a particular taxation year, a taxpayer is entitled to exclude from his income under sections 294 to 298 an amount in respect of an option exercised in a subsequent taxation year or to deduct an amount relating to a subsequent taxation year and contemplated in section 1012.1, his tax payable under this Part for the particular taxation year is deemed, for purposes of computing interest payable under sections 1037 to 1040, to be equal to that which the taxpayer would pay if he were not entitled to exclude from his income or deduct any of those amounts.

However, the amount by which the taxpayer's payable tax under this Part for the particular taxation year is reduced as a result of the exclusion from the income or the deduction, as the case may be, by an amount described in the first paragraph is deemed, for purposes of computing interest payable under sections 1037 to 1040, to have been paid by the taxpayer on account of his tax payable under this Part for the particular taxation year on the latest of the following dates:

(a) the day on which the taxpayer has excluded from his income or deducted the amount for the particular taxation year;

(b) the day on or before which the fiscal return for the subsequent taxation year relating to the amount excluded from the taxpayer's income or deducted for the particular taxation year is required to be filed under section 1000 or should have been filed if the taxpayer had had any tax to pay under this Part for that subsequent taxation year;

(c) the day on which the taxpayer files the return."

(2) This section applies where the subsequent taxation year contemplated in section 1044 of the Taxation Act, enacted by this section, ends after 31 December 1982.

153. (1) Section 1049.1 of the said Act is amended by replacing the first paragraph by the following paragraphs:

"1049.1 A corporation that, in its final prospectus or an application for exemption from filing a prospectus, states falsely that the issued stocks or shares may be included in a stock savings plan described in section 965.2 is liable to a penalty equal to 20% of the adjusted cost base, that would be determined pursuant to section 965.6 if the statement of the corporation were true, of each share or stock of the issue distributed in Québec to an individual other than a trust.

A corporation that, in its final prospectus or an application for exemption from filing a prospectus, states in respect of stocks or shares that may be included in a stock savings plan described in section 965.2 an adjusted cost base other than that determined under section 965.6 is liable to a penalty equal to 20% of the amount by which the adjusted cost base so stated in respect of each stock or share of the public issue distributed in Québec to an individual other than a trust exceeds the adjusted cost base determined pursuant to section 965.6 in respect of each such stock or share."

(2) This section has effect from 21 December 1983.

154. (1) Section 1051 of the said Act is amended by replacing the second paragraph by the following paragraph:

"The Minister shall make the refund contemplated in the first paragraph if the taxpayer applies for it within the four years following the end of the taxation year concerned or, where paragraph *a.1* of subsection 2 of section 1010 applies, within the seven years following the end of the taxation year concerned; in other cases, the Minister may make the refund."

(2) This section has effect from 20 April 1983.

155. (1) Section 1052 of the said Act is amended by replacing paragraph *c* by the following paragraph:

“(c) the sixty-first day following the day on or before which the fiscal return giving rise to the overpayment was required to be filed or should have been filed if the taxpayer had had any tax to pay for the taxation year relating to the return;”

(2) This section has effect from 1 January 1984.

156. (1) Section 1053 of the said Act is replaced by the following section:

“**1053.** For the purposes of section 1052, the part of an overpayment of the tax payable by a taxpayer for a taxation year, resulting from the exclusion from his income under sections 294 to 298 of an amount in respect of an option exercised within a subsequent taxation year or from the deduction of an amount relating to a subsequent taxation year and contemplated in section 1012.1, is deemed to have been paid to the Minister on the latest of the following dates:

(a) the sixty-first day following the day on which the taxpayer has excluded from his income or deducted that amount for the taxation year;

(b) the sixty-first day following the day on which or before which the fiscal return for the subsequent taxation year relating to the amount excluded or deducted is required to be filed pursuant to section 1000 or should have been filed if the taxpayer had had any tax to pay under this Part for that subsequent taxation year;

(c) the sixty-first day following the day on which the taxpayer files the return.”

(2) This section applies where the subsequent taxation year contemplated in section 1053 of the Taxation Act, enacted by this section, ends after 31 December 1982.

157. (1) Section 1054 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) any part of the deductible amount contemplated in paragraph *b* of section 1055, without exceeding the amount that would otherwise be the aggregate of the non-capital loss and of the farm loss of the estate for its first taxation year, had been deducted in computing the income of the taxpayer for the taxation year during which he died.”

(2) This section applies from the taxation year 1983.

158. (1) Section 1056 of the said Act is replaced by the following section:

“1056. For the purposes of sections 28 and 727 to 737, in computing the income, the net capital loss, the non-capital loss and the farm loss of the estate for its first taxation year, where the legal representatives have made the election provided for in section 1054, the part of the excess contemplated in paragraph *a* of the said section is deemed not to have been a loss of the estate and the part of the amount contemplated in paragraph *b* of section 1054 is not deductible in computing any loss of the estate for the year.”

(2) This section applies from the taxation year 1983.

159. (1) Sections 1060 and 1061 of the said Act are replaced by the following sections:

“1060. Section 1057 does not apply to the reassessment contemplated in section 1059 nor to an assessment issued following a waiver contemplated in subparagraph ii of paragraph *b* of subsection 2 of section 1010, unless the waiver was made within the seven-year period contemplated in paragraph *a.1* of the said subsection 2 where the said paragraph *a.1* applies or the four-year period contemplated in paragraph *a* of the said subsection 2 in other cases.

“1061. A reassessment made by the Minister pursuant to section 1059 is not invalid by reason only of not having been made within the seven-year period contemplated in paragraph *a.1* of subsection 2 of section 1010 where the said paragraph *a.1* applies or the four-year period contemplated in paragraph *a* of the said subsection 2 in other cases.”

(2) This section has effect from 20 April 1983.

160. (1) Section 1066.1 of the said Act is replaced by the following section:

“1066.1 No appeal under section 1066 may be instituted in respect of an assessment issued by the Minister following a waiver contemplated in subparagraph ii of paragraph *b* of subsection 2 of section 1010, unless the waiver was made within the seven-year period contemplated in paragraph *a.1* of the said subsection 2 where the said paragraph *a.1* applies or the four-year period contemplated in paragraph *a* of the said subsection 2 in other cases.”

(2) This section has effect from 20 April 1983.

161. (1) Section 1091 of the said Act is amended by replacing paragraph *c* by the following paragraph:

“(c) where all or substantially all of the individual’s income for the year, as determined under section 28, is included in the computation of his taxable income earned in Canada for the year, such of the other deductions from income permitted for the purpose of computing his taxable income as may reasonably be considered wholly applicable.”

(2) This section applies from the taxation year 1983.

162. (1) Section 1108 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the expression “taxed capital gains” means the excess of the taxable capital gains for a taxation year, from the disposition of property, over the aggregate of the allowable capital losses for that year resulting from the disposition of property and of the amount deducted in computing the taxable income for that year under section 729.”

(2) This section applies from the taxation year 1983 and in respect of an amount deductible under section 729 of the Taxation Act with regard to a loss determined for a taxation year subsequent to the taxation year 1982.

163. (1) Section 1127 of the said Act is replaced by the following section:

“**1127.** The taxable income for a taxation year of the corporation contemplated in section 1126 is its income for the year determined in accordance with the said section from which the corporation may deduct no amount other than that prescribed for the year under section 729 in respect of the disposition of property contemplated in section 1126.”

(2) This section applies in computing the taxable income for a taxation year subsequent to the taxation year 1981.

164. (1) Section 1145 of the said Act is replaced by the following section:

“**1145.** Except where inconsistent herewith, sections 1000 to 1029 and 1030 to 1082 apply, *mutatis mutandis*, to this Part.”

(2) This section applies to taxation years ending after 10 March 1981.

165. (1) Section 81 of the Act respecting the application of the Taxation Act (R.S.Q., chapter I-4) is amended by replacing the second paragraph by the following paragraph:

“In addition, for the purposes of the computation described in the first paragraph after 28 October 1980 or of computing the adjusted cost base of such an interest that a taxpayer disposed of after 31 December 1976 and before 29 October 1980 if, in the latter case, the taxpayer, within 90 days after 18 March 1982, made an election under subsection 3 of section 58 or 59 of chapter 5 of the statutes of 1982, subparagraph *i* of paragraph *l* of section 257 of the said Act shall be read with the replacement of what follows the figure “744.1” by the following: “paragraph *j* of section 157, paragraphs *g* and *h* of section 489, the second paragraph of section 741 and the provisions of the Act respecting the application of the Taxation Act that regard sections 105 to 110.1, did not exist;”

(2) This section applies from the taxation year 1982.

166. (1) Section 49 of the Licenses Act (R.S.Q., chapter L-3) is replaced by the following section:

“49. For the purposes of sections 47 and 48, the operator means any person or association who, during a race meeting, is the depository of the money that is deposited or given as a bet on the races.”

(2) This section applies in respect of a bet made after 19 December 1984.

167. Section 10 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is replaced by the following section:

“10. A debtor, under a fiscal law, or any other person may give in guarantee for the payment of the debt, real or personal security.

The Minister shall accept these securities if they meet the requirements prescribed by regulation and, if not, he may accept them where he considers they are sufficient.

These securities are given in favour of Her Majesty in right of Québec and the Minister may grant a discharge thereof.”

168. Section 15 of the said Act is amended by replacing the first paragraph by the following paragraph:

“15. Subject to the provisions of the Code of Civil Procedure (R.S.Q., chapter C-25) respecting exemption from seizure, the Minister may, by a notice served upon or sent by registered or certified mail to a person who is or will become, within 90 days of the service or sending of the notice, the debtor of a person bound to make a payment under a fiscal law, require that he pay to him, on behalf of his creditor, all or part

of the amount that he owes or that he will have to pay to the latter, such payment to be made at the time where the amount becomes payable to his creditor.”

169. Section 21 of the said Act is replaced by the following section:

“**21.** Where a person has paid an amount to the Minister under a fiscal law other than the Taxation Act (R.S.Q., chapter I-3) or the Act respecting municipal taxation (R.S.Q., chapter F-2.1) or when an amount deducted, withheld or collected under a fiscal law other than the Taxation Act has been remitted to the Minister on behalf of a person and no amount could be exacted from him under such law, when such amount exceeds the duties that he was bound to pay, or when he is entitled to a refund of all or part of such amount, the Minister shall, if the person has never been assessed in respect of such amount, repay him the amount to which he is entitled if he makes an application therefor within the time limit and according to the modalities prescribed in the fiscal law or the regulations thereunder or, failing such time limit and modalities, by sending a written application to the Deputy Minister by registered or certified mail within four years from the date of payment.”

170. Section 21.1 of the said Act is replaced by the following section:

“**21.1** The refusal by the Minister to repay the amount claimed under section 21 or the fact of not responding to an application for repayment within 180 days following the date of mailing of the application is equivalent to a decision confirming a notice of assessment under section 1059 of the Taxation Act (R.S.Q., chapter I-3), and sections 1066 and 1066.1, the first paragraph of section 1067 and sections 1068 to 1079 of the said Act apply, adapted as required, to the decision.”

171. Section 31 of the said Act is amended by adding the following paragraph:

“When the Minister, by error or on the basis of inaccurate or incomplete information, has allocated to the payment of the person’s debt an amount greater than that which he should have allocated, the excess amount is deemed to have reduced, from the allocation, the person’s debt.”

172. Section 32 of the said Act is replaced by the following section:

“**32.** When the Minister, by error or on the basis of inaccurate or incomplete information, has refunded to a person or allocated to a person’s account an amount greater than that which should have been refunded or allocated, the excess amount is exigible from the date on which it was paid or allocated by the Minister, and the Minister may at any time assess that person the amount of the excess.

However, where the Minister considers that his refunding or allocation of the excess amount was not on the basis of inaccurate or incomplete information provided by the person, the excess amount is exigible from the date of mailing of the notice of assessment."

173. Section 69 of the said Act, amended by section 41 of chapter 35 of the statutes of 1984, is again amended

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

"However, such information may, upon the written application of the person who provided the information or of his authorized representative, be communicated to the person designated in the application. In addition, information obtained from the author of the transfer of property, in respect of the cost or capital cost of that property to the taxpayer who acquired it through the said transfer may be communicated to the taxpayer where, under the Taxation Act (R.S.Q., chapter I-3) or the Act respecting the application of the Taxation Act (R.S.Q., chapter I-4), such cost or capital cost is an amount other than the consideration he paid for the property:"

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

"The third paragraph does not apply to proceedings between the interested party and the Deputy Minister, to an application for an injunction under section 68.1, nor to an appeal to the Commission de la fonction publique under the Public Service Act (R.S.Q., chapter F-3.1.1), but the Minister, the Deputy Minister and the assistant deputy ministers of Revenue cannot be prosecuted; they may, however, upon the written application of a party served at least 30 days before the date of hearing and specifying the facts requiring a testimony, designate a public servant aware of the facts to testify."

174. The said Act is amended by inserting, after section 69, the following section:

"69.1 For the purposes of section 69, a person or body mentioned in the second paragraph is entitled, to the extent provided, to examine the information obtained in the application of a fiscal law and any public servant may release the information or cause it to be released to such person or body.

The persons or bodies are:

(a) the Comptroller of Finance, in respect of an application for striking off of a bad debt submitted to him by the Deputy Minister for the obtaining of a certificate of conformity;

(b) the Conseil du trésor, in respect of an application contemplated in paragraph *a* that must be submitted to him for approval;

(c) the Auditor-General, in respect of audits and inquiries necessary in the performance of his duties.

No information so obtained may be disclosed in any manner."

175. Section 94.2 of the said Act is amended by replacing the first paragraph by the following paragraph:

"94.2 Where in the course of a period a person who is a mandatory of the Minister under a fiscal law does not pay a duty he is required to pay, does not collect a duty he was entitled to collect as a mandatory of the Minister under a fiscal law or fails to remit a duty collected under such law and is assessed in that respect, the Minister may reduce the debt resulting from that assessment by any amount the mandatory paid by mistake in the course of the period as a duty payable under that same law."

176. The said Act is amended by inserting, after section 94.3, the following section:

"94.4 Where in the course of a period a person who is a mandatory of the Minister under a fiscal law fails to remit an amount he collected by mistake as a duty at the sale of property and is assessed in that respect, the Minister may reduce the debt resulting from that assessment by any duty that the person paid in respect of that property under that same law, less any amount the Minister reimburses to a taxpayer who made such a payment to the mandatory by mistake.

In the case of this section, the interest and penalties are computed on the balance."

177. (1) Section 33 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5) is amended by replacing the definition of the word "wages" by the following definition:

"“wages” means the income computed in accordance with Chapters I and II of Title II of Book III of Part I of the Taxation Act, including any present or future amendment, except section 58.1 of the said Act where it refers to an amount that shall be included in computing the income under sections 979.9 to 979.11 of the said Act."

(2) This section has effect from 1 January 1984.

178. (1) Section 34 of the said Act is replaced by the following section:

“34. Every employer, on the date and in the manner prescribed, shall pay to the Minister of Revenue a contribution equal to 3% of the wages that he pays and that he is deemed to pay under the second paragraph of section 979.3 and section 1015.2 of the Taxation Act (R.S.Q., chapter I-3) to his employee who reports for work in his establishment in Québec or to whom those wages, if the employee is not required to report for work at an establishment of his employer, are paid or deemed paid from such an establishment in Québec.”

(2) This section has effect from 1 January 1984.

179. (1) Section 45 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended by replacing the first paragraph by the following paragraph:

“45. The amount of the pensionable salary and wages of a worker for a year is his income for the year from pensionable employment, computed in accordance with the Taxation Act (R.S.Q., chapter I-3), without reference to section 58.1 of the said Act when it refers to an amount that must be included in such computation under sections 979.9 to 979.11 of the said Act, plus any deductions made in such computation except for the deduction contemplated in section 76 of the said Act.”

(2) This section has effect from 1 January 1984.

180. (1) Section 47 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Such income and losses shall be computed according to the Taxation Act without reference to paragraph *v* of section 87 and to section 154.1 of the said Act. Income or losses from services included in pensionable employment by regulation under paragraph *d* of section 4 or under a similar plan must be excluded. The income of such worker from employment excepted by a regulation under paragraph *e* of section 5 or under a similar plan must be included therein.”

(2) This section applies in respect of fiscal periods beginning after 10 May 1983.

181. (1) Section 50 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) his pensionable salary and wages for the year paid by his employer and the amount he is deemed to be paid by him under the second paragraph of section 979.3 and section 1015.2 of the Taxation Act (R.S.Q., chapter I-3), minus the prescribed amount of his personal exemption;”.

(2) This section has effect from 1 January 1984.

182. This Act shall operate notwithstanding the provisions of sections 2 and 7 to 15 of the Constitution Act, 1982 (Schedule B of the Canada Act, chapter 11 in the 1982 volume of the Acts of the Parliament of the United Kingdom).

183. This Act comes into force on *(insert here the date of assent to this Act)*.