

FOURTH SESSION
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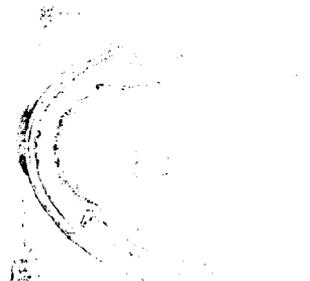
ASSEMBLÉE NATIONALE DU QUÉBEC

Bill 102

**An Act to amend the Taxation Act and
certain legislation**

First reading
Second reading
Third reading

M. MICHEL CLAIR
Ministre du revenu



EXPLANATORY NOTES

This bill gives effect to the policy statement of the Minister of Finance on 21 December 1979, and contains most of the amendments made to the federal income tax act by Bill C-17 assented to on 6 December 1979, namely, those concerning termination payments, term preferred shares, income bonds and income debentures, inventory adjustment, expenses of issuing or selling certain securities, Canadian exploration expenses, Canadian development expenses, transfers of shares of the capital stock of a small business corporation, deemed dividends, the rules applicable upon the merger of certain corporations or upon the winding-up of a Canadian subsidiary, the repayment of unemployment insurance benefits, the deduction of certain dividends in computing taxable income, registered retirement savings plans, registered retirement income funds and the exemption of certain corporations.

This bill also gives effect to certain measures regarding the Taxation Act that were announced in the Budget Speech of 25 March 1980 respecting salary paid to a spouse, the distribution of the income of a partnership of which spouses are members, the reduction of 3 per cent in personal income tax from 1 July 1980, and the increase from 12 per cent to 13 per cent in the tax payable by corporations on their taxable income, from 26 March 1980.

In addition, this bill contains measures to clarify certain rules, to broaden certain deductions and exemptions, and, generally, to facilitate the application of the Taxation Act.

Finally, this bill gives effect to two other measures announced in the Budget Speech of 25 March 1980, concerning the amendment of the Act respecting the Québec Pension Plan (R.S.Q., c. R-9) so as to end, from 26 March 1980, the exclusion of work done by a person in the service of the person's spouse, and of the Act respecting fiscal incentives to industrial development (R.S.Q., c. S-34), so as to extend for one year, namely to 31 March 1981, the tax abatement programme provided by that act.

Bill 102

An Act to amend the Taxation Act and certain legislation

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

1. (1) Section 1 of the Taxation Act (R.S.Q., c. I-3), amended by section 1 of chapter 26 of the statutes of 1978, and by section 1 of chapter 18 and section 1 of chapter 38 of the statutes of 1979, is again amended:

(a) by inserting, after the definition of the expression “taxpayer”, the following definition:

“ “term preferred share” has the meaning assigned by sections 21.5 to 21.9;”;

(b) by replacing paragraph *c* of the definition of the expression “dividend” by the following paragraph:

“(c) after 31 March 1977, by a public corporation, either

i. to a person not resident in Canada, other than a person who, either alone or together with other persons related to him, owns more than 10 per cent of the shares of the class of the capital stock of the corporation on which the stock dividend was paid, or

ii. to a person resident in Canada, other than a non-resident owned investment corporation, that, either alone or together with other persons related to it, owns more than 10 per cent of the shares of the class of the capital stock of the corporation on which the stock dividend was paid or other than a corporation to which an amount in respect of a dividend paid on the share of the class of the capital stock of the corporation on which the stock dividend was paid would, if paid at the time the stock dividend was paid, not be deductible under sections 738 to 745;”;

(c) by replacing the definition of the expression “business” by the following definition:

“ “business” includes a profession, calling, trade, manufacture or undertaking of any kind whatsoever and includes, except for the purposes of subparagraph *a* of the first paragraph of section 164, an adventure or concern in the nature of trade but does not include an office or employment;”;

(d) by replacing the definition of the expression “amount” by the following definition:

“ “amount” means money, rights or things expressed in terms of an amount of money or their value in terms of money, except that the expression as regards any stock dividend paid by a corporation means

(a) in the case of a dividend described in sections 740.1 and 740.3, the greater of the amount of the increase in the paid-up capital of the corporation by virtue of the payment of the dividend, and the fair market value of the share or shares paid as a stock dividend at the time of payment; and

(b) in any other case, the amount of the increase in the paid-up capital of the corporation by virtue of the payment of the dividend;”;

(e) by replacing the definition of the expression “income bond” or “income debenture” by the following definition:

“ “income bond” or “income debenture” has the meaning assigned by sections 21.12 to 21.15;”;

(f) by inserting, after the definition of the expression “term preferred share”, the following definition:

“ “termination payment”, for a taxation year, means an amount received by an employee whose office or employment has terminated, or by a dependant, relation or legal representative of the employee, which is equal to the lesser of the following amounts:

(a) the aggregate of the amounts received in the year in respect of the termination of the office or employment, whether or not received pursuant to an order or judgment of a competent tribunal, other than an amount required by this Part to be included, otherwise than under paragraph *l* of section 311, in computing the income of a taxpayer for a year, an amount received in consequence of the death of the employee or an amount in respect of which an election is made under section 118 of the Act respecting the application of the Taxation Act (1972, c. 24), and

(b) the amount by which one-half of the aggregate of the amounts that may reasonably be considered to be the employee’s

salary, wages or other remuneration from the office or employment for the twelve months preceding the date that is the earlier of the date on which the office or employment was terminated and the date on which an agreement in respect of the termination was entered into, exceeds the aggregate determined under paragraph *a* for each previous year in respect of that termination;”;

(*g*) by inserting, after the definition of the expression “Canadian corporation”, the following definition:

“ “Canadian partnership” has the meaning assigned by section 599;”.

(2) Paragraphs *a*, *e* and *g* of subsection 1 have effect as from 6 December 1979.

(3) Paragraphs *b* and *d* of subsection 1 apply in respect of a dividend paid after 16 November 1978.

(4) Paragraph *c* of subsection 1 applies after 16 November 1978.

(5) Paragraph *f* of subsection 1 applies in respect of an amount received in consequence of the termination of an office or employment after 16 November 1978.

2. (1) Section 21.1 of the said act, enacted by section 3 of chapter 26 of the statutes of 1978, is replaced by the following section:

“**21.1** Sections 21.2 and 21.3 apply in respect of the control of a corporation for the purposes of sections 384, 564.2 to 564.4, and 736.

Section 21.4 applies in respect of the control of a corporation for the purposes of this Part.”

(2) This section, to the extent that it enacts the first paragraph of section 21.1 of the Taxation Act, applies to a taxation year ending after 31 March 1977 and, to the extent that it enacts the second paragraph of the said section 21.1, it applies to the taxation year 1972 and subsequent taxation years.

3. (1) The said act is amended by inserting, after section 21.3, the following section:

“**21.4** Where, but for this section, a particular corporation resident in Canada would be regarded as being controlled at a particular time by another corporation resident in Canada and it is established to the satisfaction of the Minister that the conditions set forth in the second paragraph are fulfilled, the particular corporation is deemed not to be controlled by the other corporation at that particular time.

The conditions referred to in the first paragraph are:

(a) there is in effect at the particular time an enforceable agreement or arrangement under which, upon the happening of an event or the satisfaction of a condition that it is reasonable to expect will happen or be satisfied, the particular corporation will cease to be controlled by the other corporation and will become controlled by a person or group of persons with whom or with each of the members of which, as the case may be, the other corporation is at the particular time dealing at arm's length; and

(b) the chief purpose of the control referred to in the first paragraph is, at the particular time, the safeguarding of the rights or interests of the other corporation in respect of any loan made by the other corporation the whole or any part of the principal amount of which is outstanding at the particular time, or of any shares of the capital stock of the particular corporation that are owned by the other corporation at the particular time and that are, under the enforceable agreement or arrangement referred to in subparagraph *a*, to be redeemed by the particular corporation or purchased by the person or group of persons referred to in subparagraph *a*.

“CHAPTER VI

“TERM PREFERRED SHARES

“21.5 In this Part, and subject to section 21.6, “term preferred share” of a particular corporation, at any time, means a share of a class of the capital stock of the corporation issued after 16 November 1978 if

(a) under the terms of issue thereof, any agreement relating to the share or any modification to such terms or to such agreement,

i. the owner of the share may, within ten years of the date of issue, cause the share to be redeemed, acquired or cancelled or its paid-up capital to be reduced;

ii. the particular corporation or any other person is or may be required to redeem, acquire or cancel, in whole or in part, the share or reduce its paid-up capital within ten years of the date of issue, otherwise than pursuant to a requirement of the particular corporation to redeem, acquire or cancel annually not more than 5 per cent of the issued and fully paid shares of that class;

iii. the particular corporation or any other person provides or may be required to provide any form of guarantee or covenant providing protection with respect to the share, including the lending of funds to or the placing of amounts on deposit with, or

on behalf of, the holder of the share or any person related to him; or

iv. the share is convertible, directly or indirectly, into debt or into a share that, if issued, would be a term preferred share; or

(b) the owner thereof is

i. an insurance corporation;

ii. a corporation described in paragraphs *b* to *f* of section 250.3;

iii. a corporation that is controlled directly or indirectly by one or more corporations referred to in subparagraph ii; or

iv. a partnership or trust that, either alone or together with one or more corporations referred to in subparagraphs i to iii or with a partnership or trust, controls or has an absolute or a contingent right to acquire control of the particular corporation.

“21.6 For the purposes of section 21.5, a term preferred share does not include

(a) a share issued after 16 November 1978 and before 1980 pursuant to an agreement in writing made before 17 November 1978;

(b) a share issued as a stock dividend in respect of a share of the capital stock of a public corporation that was not a term preferred share;

(c) a share of a corporation resident in Canada, for a term that may not exceed ten years, the proceeds from the issue of which may reasonably be regarded as having been used by the corporation or a corporation with which it was not dealing at arm's length in the financing of its business carried on immediately before the share was issued, and that was issued

i. as part of a proposal to or an arrangement with its creditors, approved by a competent court under the Bankruptcy Act (Statutes of Canada);

ii. while all or substantially all of the assets of the corporation were under the control of a receiver, receiver-manager, sequestrator or trustee in bankruptcy; or

iii. in whole or in part, directly or indirectly, in exchange or substitution for a debt obligation of the corporation or a corporation resident in Canada with which it does not deal at arm's length held by a person with whom the corporation was dealing at arm's length while, by reason of financial difficulty, the corporation was in default or could reasonably be expected to default on that debt;

(d) a share issued by a corporation described in paragraphs *b* to *f* of section 250.3 or by a corporation associated with such a corporation and listed on a prescribed stock exchange in Canada; or

(e) a share that is, at that time, a prescribed share.

“21.7 For the purposes of this chapter, where the terms or conditions of an agreement in writing referred to in paragraph *a* of section 21.6 were amended after 16 November 1978, the agreement is deemed to have been made after that date.

“21.8 Where, at a particular time after 16 November 1978, in respect of a share issued before 17 November 1978, the redemption date was extended or the terms or conditions relating to its redemption, acquisition, cancellation or conversion or to the reduction of its paid-up capital by the issuer of the share were changed, the share is, for the purposes of determining at any time after the particular time whether it is a term preferred share, deemed to have been issued after 16 November 1978 otherwise than pursuant to an agreement in writing referred to in paragraph *a* of section 21.6.

“21.9 The rule provided by section 21.8 applies also

(a) where the terms or conditions of a share issued pursuant to an agreement in writing referred to in paragraph *a* of section 21.6 or those of any agreement relating to such a share have been changed at a particular time;

(b) where, under the terms or conditions of a share issued before 17 November 1978 and not listed on 16 November 1978 on a prescribed stock exchange in Canada, of a share issued pursuant to an agreement in writing referred to in paragraph *a* of section 21.6, or of any agreement relating to any such share, other than an agreement made before 23 October 1979, to which the issuer, or any person related thereto, was not a party, the owner of the share could at a particular time after 16 November 1978 require, either alone or together with one or more taxpayers, the redemption, acquisition, cancellation, conversion or reduction of the paid-up capital of the share otherwise than by reason of a failure or default under the terms or conditions of the share; or

(c) where, at a particular time after 23 October 1979, a corporation described in any of paragraphs *a* to *c* of section 740.1, a partnership or a trust acquired, otherwise than pursuant to an agreement in writing made before 23 October 1979, from a person other than a corporation described in any of those paragraphs, a share issued before 17 November 1978 or issued pursuant to an agreement in writing referred to in paragraph *a* of section 21.6.

“21.10 Where a corporation described in any of paragraphs *a* to *c* of section 740.1 receives from a corporation not resident in Canada an amount as a dividend on a term preferred share that it acquired in the ordinary course of business carried on by it or where a corporation referred to in section 740.3 receives from a corporation not resident in Canada an amount as a dividend on a term preferred share, the amount is, for the purposes of paragraphs *c* and *l* of section 87 and sections 746 to 749, deemed to be received as interest and not as a dividend on a share of the capital stock of a foreign affiliate of the corporation.

“21.11 Notwithstanding section 119, where an amount is paid or payable after 1978 as interest or as an amount in lieu of interest in respect of a dividend that became payable or in arrears after 16 November 1978 and the dividend is in respect of a share that is not a term preferred share by reason of having been issued before 17 November 1978 or pursuant to an agreement in writing referred to in paragraph *a* of section 21.6, the amount is, for the purposes of section 740.1 and the second paragraph of section 845, deemed to be a dividend received on a term preferred share.

“CHAPTER VII

“INCOME BONDS

“21.12 In this Part, “income bond” or “income debenture” of a corporation means a bond or debenture in respect of which interest or dividends are payable only to the extent that the corporation has made a profit before taking into account the payment of the interest or dividend, and which is a bond or debenture

(*a*) that was issued by the corporation before 17 November 1978;

(*b*) that was issued by the corporation after 16 November 1978 and before 1980 pursuant to an agreement in writing made before 17 November 1978; or

(*c*) of a corporation resident in Canada, for a term that in no circumstances may exceed five years, the proceeds from the issue of which may reasonably be regarded as having been used by the corporation or a corporation with which it was not dealing at arm’s length in the financing of its business carried on immediately before it was issued, and that was issued

i. as part of a proposal to or an arrangement with its creditors, approved by a competent court under the Bankruptcy Act (Statutes of Canada);

ii. while all or substantially all of the assets of the corporation were under the control of a receiver, receiver-manager, sequestrator or trustee in bankruptcy; or

iii. in whole or in part, directly or indirectly, in exchange or substitution for a debt obligation of the corporation or a corporation resident in Canada with which it does not deal at arm's length held by a person with whom the corporation was dealing at arm's length while, by reason of financial difficulty, the corporation was in default or could reasonably be expected to default on that debt.

“21.13 For the purposes of this chapter, where the terms or conditions of an agreement in writing referred to in paragraph *b* of section 21.12 were amended after 16 November 1978, the agreement is deemed to have been made after that date.

“21.14 Where, at a particular time after 16 November 1978, the maturity date of a bond or debenture was extended or the terms or conditions relating to the repayment of the principal amount thereof were changed, the bond or debenture is, for the purposes of determining at any time after the particular time whether it is an income bond or income debenture, as the case may be, deemed to have been issued after 16 November 1978 otherwise than pursuant to an agreement in writing referred to in paragraph *b* of section 21.12.

“21.15 The rule provided by section 21.14 applies also

(*a*) where the terms or conditions of a bond or debenture issued pursuant to an agreement in writing referred to in paragraph *b* of section 21.12 or those of any agreement relating to such a bond or debenture have been changed at a particular time;

(*b*) where, under the terms or conditions of a bond or debenture acquired in the ordinary course of the business carried on by a corporation described in any of paragraphs *a* to *c* of section 740.1 or a partnership or trust other than a testamentary trust or under the terms or conditions of any agreement relating to any such bond or debenture, other than an agreement made before 23 October 1979 to which the issuer or any person related thereto was not a party, the owner could at a particular time after 16 November 1978 require, either alone or together with one or more taxpayers, the repayment, acquisition, cancellation or conversion of the bond or debenture otherwise than by reason of a failure or default under the terms or conditions of the bond or debenture; or

(*c*) where, at a particular time after 23 October 1979, a corporation described in any of paragraphs *a* to *c* of section 740.1,

a partnership or a trust other than a testamentary trust acquired, otherwise than pursuant to an agreement in writing made before 23 October 1979, from a person other than a corporation described in any of those paragraphs, a bond or debenture issued before 17 November 1978 or issued pursuant to an agreement in writing referred to in paragraph *b* of section 21.12.

“21.16 Notwithstanding section 119, where an amount is paid or payable after 1978 as interest or as an amount in lieu of interest in respect of any interest or dividend payable after 16 November 1978 on an income bond or an income debenture, the amount is, for the purposes of section 740.1 and the second paragraph of section 845, deemed to be a dividend received on a term preferred share.”

(2) This section, to the extent that it enacts section 21.4 of the Taxation Act, applies to the taxation year 1972 and subsequent taxation years and, to the extent that it enacts sections 21.5 to 21.16 of the said act, has effect as from 6 December 1979.

4. (1) Section 41 of the said act, amended by section 6 of chapter 26 of the statutes of 1978, is again amended by replacing the last paragraph by the following paragraph:

“Where the taxpayer is principally employed in selling automobiles, he may elect that the second paragraph apply to him as if the words “two per cent” were replaced by the words “one and one-half per cent”; in such a case, the capital cost of the automobile concerned to the employer is the quotient of the division of the cost to him of all new automobiles acquired by him in the year for resale in the course of the operation of his business by the number of such automobiles.”

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

5. (1) Section 83 of the said act is amended by striking out the second paragraph.

(2) This section applies in respect of an expense incurred after 16 November 1978.

6. (1) Section 87 of the said act, amended by section 11 of chapter 26 of the statutes of 1978, is again amended by adding, after paragraph *p*, the following paragraph:

“(q) any amount that, in respect of a property described in his inventory, at the end of the year, is an allowance in respect of depreciation, obsolescence or depletion included in the cost amount of that property to him at the end of the year.”

(2) This section applies to a taxation year ending after 16 November 1978.

7. (1) Section 119 of the said act is amended by replacing the first paragraph by the following paragraph:

“119. An amount paid as interest or a dividend by a corporation resident in Canada to a taxpayer in respect of an income bond or income debenture is deemed to have been paid by the corporation and received by the taxpayer as a dividend on a share of the capital stock of the corporation, unless the corporation is entitled to deduct the amount in computing its income.”

(2) This section applies in respect of interest or a dividend paid after 16 November 1978.

8. (1) Division v of Chapter III of Title III of Book III of Part I of the said act, comprising sections 147 and 148, is amended by replacing the title and section 147 by the following title and section:

“EXPENSES IN RESPECT OF CERTAIN SECURITIES

“147. A unit trust or a corporation, as the case may be, may deduct an expense incurred in the course of issuing or selling a unit of the trust or, as the case may be, a share of the capital stock of the corporation.

A taxpayer may deduct an expense incurred in the course of issuing or selling, in the case of a partnership, of an interest in the partnership or, in the case of a syndicate, of a share in the syndicate.”

(2) This section applies in respect of an amount paid or payable after 16 November 1978.

9. (1) Section 157 of the said act, amended by section 36 of chapter 26 of the statutes of 1978, is again amended by adding, after paragraph *k*, the following paragraph:

“(*l*) any amount included by him under paragraph *q* of section 87 in computing his income for the preceding taxation year.”

(2) This section applies in respect of a taxation year ending after 16 November 1978.

10. (1) Section 161 of the said act, amended by section 37 of chapter 26 of the statutes of 1978, is again amended by replacing paragraph *a* by the following paragraph:

“(a) a loan used to acquire property the income from which would be exempt from tax, to acquire a life insurance policy within the meaning of paragraph *e* of section 835, other than a policy that is an annuity contract issued before 1978 that provides for annuity payments to commence not later than the day on which the policy holder attains 75 years of age, a registered retirement plan, a registered retirement savings plan, a deferred profit sharing plan or an income-averaging annuity contract, or which is issued under any such plan or contract, or to acquire, in the case of an individual other than an individual who has a permit to transport passengers for a consideration, an automobile used by him partly to gain income from a business or property and partly for his personal use; or”.

(2) This section applies in respect of the taxation year 1978 and subsequent taxation years.

11. (1) Section 164 of the said act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) used in, or held in the course of, a business carried on in the year by the taxpayer; or”.

(2) This section applies in respect of an expense incurred after 16 November 1978.

12. (1) Section 176 of the said act is replaced by the following section:

“**176.** A taxpayer may deduct an expense incurred by him in the course of borrowing money that he uses to earn income from a business or property other than an expense incurred in borrowing money in connection with property the revenue from which is exempt.

The taxpayer may not, however, deduct any amount paid or payable as or on account of the principal amount of the indebtedness or as or on account of interest.”

(2) This section applies in respect of amounts paid or payable after 16 November 1978.

13. (1) Section 192 of the said act is amended by adding, after the second paragraph, the following paragraph:

“Moreover, notwithstanding any other provision of this Part, a prescribed corporation and any corporation controlled by it is deemed not to be a private corporation.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

14. (1) Section 205 of the said act is amended

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

“i. the amount by which the aggregate of his losses, determined without taking into account this division and before any deduction under sections 222 to 230.10, from all farming businesses carried on by him during the year exceeds the aggregate of his income, so determined, of the same nature for the same year and”; and

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

“(b) the amount by which the amount that would be computed under subparagraph i of paragraph *a*, if the expression “and before any deduction under sections 222 to 230.10” was not taken into account, exceeds the amount computed under that subparagraph.”

(2) This section applies to taxation years ending after 1977.

15. (1) Section 230.1 of the said act, enacted by section 14 of chapter 18 of the statutes of 1979, is amended by replacing paragraphs *b* and *c* by the following paragraphs:

“(b) “qualified expenditure” of a corporation for a taxation year means the aggregate of expenditures, other than prescribed expenditures, that are either expenditures that the corporation made in the year in respect of scientific research carried on in Canada or to acquire property that had not been used for any purpose whatever before it was acquired, that are expenditures referred to in subsection 1 of section 222 or in paragraph *a* of section 223, as the case may be, or amounts paid by it during the year to Her Majesty in right of Canada or of a province to the extent that the amounts may reasonably be considered to be a repayment of an amount described in paragraph *a* of section 230.3, that the corporation has received;

“(c) “expenditure base” of a corporation for a particular taxation year means the product obtained when the amount by which the qualified expenditure made by the corporation in each taxation year comprised in its base period or, in the case of a new corporation resulting from an amalgamation within the meaning of section 544, in its base period, exceeds the aggregate of the amounts referred to in paragraphs *a* to *c* of section 230.3, or which would be referred to in paragraph *a* of the said section 230.3 if the year “1977” were replaced therein by the year “1976”, paid to the corporation in such year or base period, as the case may be, is multiplied by the proportion that the number of days in the particular year is of the number of days in its base period;”.

(2) This section applies to taxation years ending after 1977.

16. (1) Section 230.3 of the said act, enacted by section 14 of chapter 18 of the statutes of 1979, is amended by replacing paragraph *a* by the following paragraph:

“(a) Her Majesty in right of Canada or a province in respect of scientific research to the extent that the amount may reasonably be considered to relate to the qualified expenditure of the corporation in a taxation year ending after 1977 or the cost of or depreciation on any research property of the corporation;”

(2) This section applies to taxation years ending after 1977.

17. (1) Section 236.1 of the said act, enacted by section 18 of chapter 18 of the statutes of 1979, is amended by adding the following paragraph:

“Moreover, if that property is either a share issued before 1972, or a share hereinafter referred to as a “substituted share” that was substituted or exchanged for a share issued before 1972 or for a substituted share, the aggregate of all amounts received, after 1971 and before the disposition, by the taxpayer or any person with whom he was not dealing at arm’s length as a taxable dividend on the share and any other share in respect of which the share disposed of is a substituted share must also be subtracted from the loss determined in conformity with this Title.”

(2) This section applies in respect of dispositions of property made after 16 November 1978.

18. (1) The said act is amended by inserting, after section 236.1, the following sections:

“**236.2** Where the taxpayer is a corporation, its loss from the disposition at a particular time in a taxation year of shares of the capital stock of a corporation, in this paragraph referred to as the “controlled corporation”, that was controlled by it at any time in the year, is its loss otherwise determined from that disposition less the aggregate of the amounts added under paragraph *c.1* of section 255 to the cost to another corporation of property disposed of to that corporation by the controlled corporation that were added to the cost of such property during the period that the controlled corporation was controlled by the taxpayer and that may reasonably be considered to be attributable to losses on the property that accrued during the period that the controlled corporation was controlled by the taxpayer, exceeds the aggregate of the amounts by which losses have been reduced by virtue of this section in respect of dispositions before that particular time of shares of the capital stock of the controlled corporation.

“236.3 For the purposes of section 236.2, in the case of an amalgamation within the meaning of section 544 of several corporations and where a predecessor corporation, immediately prior to the amalgamation, controlled a particular corporation which became controlled by the new corporation by virtue of the amalgamation, the new corporation is deemed to have acquired control of the particular corporation at the time control thereof was acquired by the predecessor corporation.”

(2) This section, to the extent that it enacts section 236.2 of the Taxation Act, applies in respect of dispositions of property made after 16 November 1978 and, to the extent that it enacts section 236.3 of the said act, applies to the taxation year 1978 and subsequent taxation years.

19. (1) Section 255 of the said act, amended by section 43 of chapter 26 of the statutes of 1978 and by section 20 of chapter 18 of the statutes of 1979, is again amended

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

“(c.1) where the property has been disposed of by a taxable Canadian corporation to the taxpayer, and the taxpayer is a taxable Canadian corporation, where paragraph *b* of section 535 does not apply so as to increase the adjusted cost base to the corporation of shares of the capital stock of the taxpayer, and the corporation’s loss from the disposition is not deductible pursuant to section 239 or has been deemed to be nil pursuant to paragraph *a* of section 535, the amount of that non-deductible loss or the amount that would otherwise have been the corporation’s loss from the disposition;”;

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

“(f.1) where the property is a share of the capital stock of a corporation, any amount required by paragraph *b* of section 535 to be added;”.

(2) Paragraph *a* of subsection 1 applies to dispositions of property made after 16 November 1978 and paragraph *b* of that subsection applies to dispositions of property made after 1971.

20. (1) Section 310 of the said act, replaced by section 1 of chapter 14 of the statutes of 1979, is again replaced by the following section:

“310. The amounts contemplated in section 309 include those in respect of a registered retirement savings plan or a registered retirement income fund, to the extent provided for in sections 906 to 935, those required under section 965.9 to be

included in computing an individual's income for the year and those required under sections 968 and 968.1 to be included in computing the taxpayer's income for the year in respect of the disposition of an interest in a life insurance policy."

(2) This section, to the extent that it refers to a registered retirement income fund, applies after 29 June 1978 and, to the extent that it refers to section 968.1 of the Taxation Act, applies to the taxation year 1980 and subsequent taxation years.

21. (1) Section 311 of the said act, amended by section 24 of chapter 18 of the statutes of 1979, is again amended by adding, after paragraph *k*, the following paragraph:

"(l) a termination payment."

(2) This section applies to an amount received by reason of the termination of an office or employment after 16 November 1978.

22. (1) Section 312 of the said act is amended by replacing paragraph *g* by the following paragraph:

"(g) the excess, over \$500, of the aggregate of all amounts other than an amount contemplated in paragraph *i* of section 311, received by the taxpayer in the year as a scholarship, fellowship or bursary or a prize for achievement in a field of endeavour ordinarily carried on by the taxpayer;"

(2) This section applies in respect of an amount received after 1978.

23. (1) Section 329 of the said act is replaced by the following section:

329. A development corporation, within the meaning of section 363, or a corporation that was a development corporation at the time of acquiring a property referred to in paragraph *a* or *c* of section 328 and any other prescribed person must include in the amount referred to in subparagraph *i* of paragraph *b* of section 412, for a taxation year, the proceeds of the disposition of such a property to the extent that such proceeds become receivable."

(2) This section applies to the taxation year 1977 and subsequent taxation years.

24. (1) Section 331 of the said act is amended by replacing paragraph *b* by the following paragraph:

"(b) in the amount referred to in subparagraph *i* of paragraph *b* of section 412, in the case of a property described in paragraph

d of section 328, the amount described in paragraph *a* to the extent that it becomes receivable in that year.”

(2) This section applies to the taxation year 1977 and subsequent taxation years.

25. (1) Section 332 of the said act is amended by replacing paragraph *a* by the following paragraph:

“(a) the cost to that person of the property is deemed to be the amount included in computing the income of the taxpayer or, as the case may be, in the amount referred to in subparagraph i of paragraph *b* of section 412 pursuant to section 331;”.

(2) This section applies to the taxation year 1977 and subsequent taxation years.

26. (1) Section 333.1 of the said act, enacted by section 51 of chapter 26 of the statutes of 1978, is amended by replacing paragraph *a* by the following paragraph:

“(a) the aggregate of all such proceeds so becoming receivable in the year by the taxpayer, to the extent that they have been included in the amount referred to in subparagraph i of paragraph *b* of section 412 in respect of the taxpayer;”.

(2) This section applies to the taxation year 1977 and subsequent taxation years.

27. (1) Section 336 of the said act, amended by section 52 of chapter 26 of the statutes of 1978 and by section 25 of chapter 18 of the statutes of 1979, is again amended by replacing paragraph *d* of subsection 1 by the following paragraph:

“(d) an overpayment of a pension or supplement received under the Old Age Security Act (Statutes of Canada) or of a benefit paid under the Act respecting the Québec Pension Plan (R.S.Q., c. R-9) or a similar plan within the meaning of that act 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 (Statutes of Canada);”.

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

28. (1) Section 344 of the said act, amended by section 54 of chapter 26 of the statutes of 1978, is again amended by replacing subparagraph ii of paragraph *a* by the following subparagraph:

“ii. the excess of the amount determined for the year under paragraph *b* of section 28 over the aggregate of his allowable business investment losses for the year;”.

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

29. (1) Section 345 of the said act is amended by replacing paragraph *d* by the following paragraph:

“(d) an amount included in computing the individual’s income for the year under paragraph *l* of section 311 and sections 93 to 110.1, 186, 187, 196 or 197, 684 or 955;”.

(2) This section applies in respect of an amount received by reason of the termination of an office or employment after 16 November 1978.

30. (1) Section 370 of the said act is amended by replacing paragraph *a* by the following paragraph:

“(a) a right, licence or privilege to explore for, drill for, take or store underground petroleum, natural gas or other related hydrocarbons in Canada;”.

(2) This section applies for the purposes of determining the Canadian resource property of a taxpayer after 16 November 1978.

31. (1) Section 372 of the said act is replaced by the following section:

“372. For the purposes of this chapter, foreign exploration and development expenses are expenses incurred after 1971 which would be referred to in paragraphs *a* to *d* and *f* of section 364,

(a) if that part of that section which precedes paragraph *a* were disregarded;

(b) if the words “association,” “or syndicate” and “or partner” in the said paragraph *d* were disregarded and if the words “one of their fiscal periods” were read as “a fiscal period thereof”; and

(c) if the words “in Canada” and “Canadian” were read as “outside Canada” and “foreign”.”

(2) This section has effect as from 6 December 1979, except to the extent that it enacts paragraph *a* of section 372 of the Taxation Act, in which case it applies after 6 May 1974 in the case of an oil business and after 31 March 1975 in the case of a mining business.

32. (1) Section 377 of the said act, replaced by section 61 of chapter 26 of the statutes of 1978, is amended by adding, after paragraph *b*, the following paragraph:

“(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 corporation from which the property was acquired in accordance with 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 corporation from which the property was acquired in accordance with section 376.”

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

33. (1) The said act is amended by inserting, after section 378, the following section:

“**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 corporations 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 corporation is required to file its fiscal return pursuant to section 1000 for the taxation year in which the acquisition to which the election relates occurred.”

(2) This section applies in respect of acquisitions of property made after 16 November 1978.

34. (1) Section 379 of the said act is replaced by the following section:

“**379.** The corporation from 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 its income for a taxation year subsequent to that during which the property was acquired.”

(2) This section applies in respect of acquisitions of property made after 16 November 1978.

35. (1) Section 395 of the said act is amended by replacing paragraphs *a* to *e* by the following paragraphs:

“(a) an expense, including an expense for a geological, geophysical or geochemical survey, other than an expense referred to in paragraph *b*, incurred by him to determine the existence of a petroleum or natural gas deposit in Canada, other than a mineral resource, to locate such a deposit or to determine the extent or quality thereof;

“(b) an expense for drilling for or completing an oil or gas well in Canada, building a temporary access road to the well or preparing the site in respect of the well, incurred by him in the year or in any previous year and included by him in computing his Canadian development expenses for a previous taxation year, if the drilling of the well is completed within six months after the end of the year and

i. it is determined that it is the first well capable of production in commercial quantities from a petroleum or natural gas deposit not previously known to exist, other than a mineral resource, or

ii. it is reasonable to expect that the well cannot come into production in commercial quantities within twelve months of its completion;

“(c) an expense incurred by him to determine the existence of a mineral resource in Canada, to locate such a resource or to determine the extent or quality thereof, including any expense incurred in the course of prospecting, carrying out geological, geophysical or geochemical surveys, drilling and trenching or digging test pits or preliminary sampling, except any Canadian development expense or any expense that may reasonably be related to a mine which has come into production in reasonable commercial quantities or to an actual or potential extension of such a mine, whether or not it is owned by the taxpayer;

“(c.1) an expense incurred by him after 16 November 1978 to bring a mineral resource in Canada into production, including clearing, removing overburden and stripping, sinking a mine shaft and constructing an adit or other underground entry, to the extent that these expenses were incurred prior to the commencement of production from the mine in reasonable commercial quantities;

“(d) his share of the expenses described in paragraphs *a* to *c.1* incurred by a partnership in a fiscal period thereof, if he was a member thereof at the end of that period; or

“(e) an expense described in paragraphs *a* to *c.1* incurred by him pursuant to an agreement with a corporation under which he incurs that expense solely as consideration for a share of the

capital stock of that corporation, or an interest in such share or a right thereto.”

(2) This section has effect as from 6 December 1979, except to the extent that it replaces paragraphs *a* to *c* of section 395 of the Taxation Act, in which case it applies to a taxation year ending after 6 May 1974.

36. (1) Section 401 of the said act, amended by section 69 of chapter 26 of the statutes of 1978 and by section 13 of chapter 38 of the statutes of 1979, is again amended by replacing subparagraph *i* of paragraph *a* by the following subparagraph:

“*i.* the amount by which his Canadian exploration expenses incurred after 25 May 1976 and before 1982 exceed the aggregate of all amounts deducted under this paragraph for a previous taxation year, and”.

(2) This section has effect as from 6 December 1979.

37. (1) Section 404 of the said act, replaced by section 70 of chapter 26 of the statutes of 1978, is amended by adding, after paragraph *b*, the following paragraph:

“(*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 corporation from which the 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 corporation from which the property was acquired in accordance with section 402.”

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

38. (1) The said act is amended by inserting, after section 404, the following section:

“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 corporations 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 corporation is required to file its fiscal return pursuant to section 1000 for the taxa-

tion year in which the acquisition to which the election relates occurred.”

(2) This section applies in respect of acquisitions of property made after 16 November 1978.

39. (1) Section 405 of the said act, replaced by section 70 of chapter 26 of the statutes of 1978, is again replaced by the following section:

“405. The corporation from 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 its income for a taxation year subsequent to that during which the property was acquired.”

(2) This section applies in respect of acquisitions of property made after 16 November 1978.

40. (1) Section 408 of the said act, amended by section 71 of chapter 26 of the statutes of 1978, is again amended

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

“ii. drilling or completing an oil or gas well in Canada, building a temporary access road to the well or preparing a site in respect of the well, to the extent that the expense is not a Canadian exploration expense;”;

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

“(a.1) an expense incurred by him after 16 November 1978, in respect of an oil or gas well in Canada after the commencement of production from the well, to drill the well, to maintain or increase its production or to put it back into operation;”;

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

“(b) an expense incurred by him before 17 November 1978 to bring a mineral resource in Canada into production, including clearing, removing overburden and stripping, sinking a mine shaft and constructing an adit or other underground entry, to the extent that the expense was incurred prior to the commencement of production from the mine in reasonable commercial quantities;”;
and

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

“(d) his share of any expense described in paragraphs *a* to *c* incurred by a partnership in a fiscal period thereof, if at the end of that period he was a member thereof; or”.

(2) This section has effect as from 6 December 1979, except to the extent that it replaces subparagraph ii of paragraph *a* of section 408 of the Taxation Act, in which case it applies to a taxation year ending after 6 May 1974.

41. (1) Section 411 of the said act, amended by section 72 of chapter 26 of the statutes of 1978, is again amended by replacing that part which precedes paragraph *a* by the following:

“411. For the purposes of this chapter, “cumulative Canadian development expenses” of a taxpayer, at any time in a taxation year, means the amount by which the aggregate described in section 412 is exceeded by the aggregate of”.

(2) This section applies to the taxation year 1977 and subsequent taxation years.

42. (1) Section 412 of the said act is amended by replacing paragraph *b* by the following paragraph:

“(b) all amounts each of which is, in respect of the disposition of any property by the taxpayer, equal to the amount by which

i. any amount, in respect of that disposition, that becomes receivable by him before that time but after 6 May 1974 in the case of an oil business, or after 31 March 1975 in the case of a mining business, that is required to be included in the amount referred to in this subparagraph by virtue of section 329 or of paragraph *b* of section 331, exceeds,

ii. where the property disposed of was acquired by the taxpayer in accordance with section 415, the amount by which the expenses referred to in paragraph *a* of subsection 1 of the said section 415, determined immediately before the particular time at which the proceeds of disposition of the property become receivable by the taxpayer, exceed the aggregate of the amounts that became receivable by him before that particular time and that are described in paragraph *b* of the said subsection 1;

iii. where the property disposed of was acquired by the taxpayer in accordance with section 415.1, the aggregate of the amount by which the expenses referred to in paragraph *a* of subsection 1 of the said section 415.1, determined immediately before the particular time at which the proceeds of disposition of the property become receivable by the taxpayer, exceed the aggregate of the amounts that became receivable by the first successor corporation before that particular time and that are described in subparagraph i of paragraph *b* of the said subsection 1 and of the amounts that became receivable by the taxpayer before that particular time and that are described in subparagraph ii of the

said paragraph *b*, and of the excess referred to in subparagraph ii in respect of the acquisition by the taxpayer, in accordance with section 415, of the property of the first successor corporation; or

iv. in any other case, nil;”.

(2) This section applies to the taxation year 1977 and subsequent taxation years.

43. (1) Section 414 of the said act, amended by section 73 of chapter 26 of the statutes of 1978, is again amended by replacing that part of subparagraph *b* of the second paragraph which precedes subparagraph i by the following:

“(b) the amount by which the aggregate of the following amounts, before any deduction under any of sections 360 to 418 or under the Act respecting the application of the Taxation Act in respect of this section, other than the deductions allowed by sections 415 and 415.1, exceeds the aggregate of amounts deducted in computing his income for the year under section 357 in respect of property contemplated in paragraph *a* or *c* of section 328 or under section 358:”.

(2) This section applies to the taxation year 1977 and subsequent taxation years.

44. (1) Section 415 of the said act, replaced by section 74 of chapter 26 of the statutes of 1978, is again replaced by the following sections:

“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, 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 another corporation used by it in carrying on in Canada a business described in any of paragraphs *a* to *g* of section 363, 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 corporation from which the 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 either corporation for a previous taxation year or in computing that of the corporation from which the property was so acquired for the taxation year in which the acquisition was made, exceed,

(b) the aggregate of all amounts that became receivable by it in the taxation 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 other corporation immediately before the acquisition thereof by the corporation.

(2) The deduction provided for in subsection 1 must not, however, exceed,

(a) where the corporation is a development corporation carrying on an oil business, the aggregate of

i. 30 per cent of the amount by which the expenses contemplated in paragraph a of subsection 1 which were not incurred in Québec, within the meaning of section 416, exceed the aggregate contemplated in paragraph b of that subsection; and

ii. the amount by which the expenses contemplated in paragraph a of subsection 1 which were incurred in Québec, within the meaning of section 416, exceed the amount by which the aggregate contemplated in paragraph b of subsection 1 exceeds the expenses contemplated in the said paragraph a which were not incurred in Québec within the meaning of section 416;

(b) where the corporation is not a development corporation and carries on an oil business, 30 per cent of the excess contemplated in subsection 1; or

(c) where the corporation is not a development corporation and carries on a mining business, the greater of 30 per cent of the excess contemplated in subsection 1 and the amount by which the aggregate of the following amounts, before any deduction under any of sections 360 to 418 or under the Act respecting the application of the Taxation Act in respect of this section, other than the deduction allowed by section 415.1, exceeds the aggregate of amounts deducted in computing its income for the year under section 357 in respect of property contemplated in paragraph a or c of section 328 and described in subsection 3 or under section 358 in respect of property described in the said subsection 3:

i. its income for the year that may reasonably be attributed to the production of minerals from a mine in respect of which the corporation from which the 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

ii. the aggregate contemplated in subparagraph ii of paragraph b of section 369 in respect of property described in subsection 3.

(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 corporation from which the property was acquired in accordance with this section.

“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, 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 another corporation, hereinafter called the “first successor corporation”, which used that property 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 corporation 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 corporation from which that property was acquired in accordance with section 415, determined immediately after the acquisition of that property by the first successor corporation, to the extent that these expenses were not deducted in computing the income of either corporation for a previous taxation year nor in computing the income of the first successor corporation for the taxation year in which the property of the latter was so acquired, exceed

(*b*) the aggregate of

i. all amounts that became receivable by the first successor corporation in the taxation 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 corporation from which the property was acquired in accordance with section 415, and

ii. all amounts that became receivable by it in the taxation 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 corporation from which that property was acquired in accordance with section 415.

(2) The deduction provided for in subsection 1 must not, however, exceed,

(a) where the corporation is a development corporation carrying on an oil business, the aggregate of

i. 30 per cent of the amount by which the expenses referred to in paragraph *a* of subsection 1 which were not incurred in Québec, within the meaning of section 416, exceed the aggregate contemplated in paragraph *b* of that subsection, and

ii. the amount by which the expenses referred to in paragraph *a* of subsection 1 which were incurred in Québec, within the meaning of section 416, exceed the amount by which the aggregate contemplated in paragraph *b* of subsection 1 exceeds the expenses referred to in that paragraph *a* which were not incurred in Québec within the meaning of section 416;

(b) where the corporation is not a development corporation and carries on an oil business, 30 per cent of the excess referred to in subsection 1; or

(c) where the corporation is not a development corporation and carries on a mining business, the greater of 30 per cent of the excess referred to in subsection 1 and the amount by which the aggregate of the following amounts, before any deduction under any of sections 360 to 418 or under the Act respecting the application of the Taxation Act in respect of this section, exceeds the aggregate of amounts deducted in computing its income for the year under section 357 in respect of property contemplated in paragraph *a* or *c* of section 328 and described in subsection 3 or under section 358 in respect of property described in the said subsection 3:

i. its income for the year that may reasonably be attributed to the production of minerals from a mine in respect of which the corporation from which the 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

ii. the aggregate contemplated in subparagraph ii of paragraph *b* of section 369 in respect of property described in subsection 3.

(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 corporation from which the property was acquired in accordance with that section 415.

“415.2 The amount referred to in subsection 1 of section 415 is that part of the income of the corporation for the year, before any deduction is made under any of sections 360 to 418 or under the Act respecting the application of the Taxation Act in

respect of this section, other than the deduction allowed by section 415.1, minus the deductions allowed for the year by sections 738 to 749, that may reasonably be attributed to

(a) the production from wells or mines situated in Canada in respect of which the corporation from which the 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 corporation from which the 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 corporation from which the property was acquired in accordance with section 415.

“415.3 Section 404.1 applies, *mutatis mutandis*, to the deductions provided for by sections 415 and 415.1, and section 405 applies, *mutatis mutandis*, to the deduction in respect of cumulative Canadian development expenses.”

(2) This section applies to the taxation year 1977 and subsequent taxation years, except to the extent that it enacts paragraph *b* of section 415.2 of the Taxation Act, in which case it applies to the taxation year 1979 and subsequent taxation years, and to the extent that section 415.3 of this act which it enacts refers to section 404.1 of this act, in which case it applies in respect of the acquisition of any property made after 16 November 1978.”

45. (1) Section 424 of the said act is amended by replacing subsection 2 by the following subsection:

“(2) Where in a taxation year of the corporation such property is appropriated in any manner whatever to, or for the benefit of, a shareholder upon the winding-up of the corporation, section 535 does not apply in respect of the winding-up and, for the purpose of computing the corporation’s income for the year, it is deemed to have sold that property immediately before the winding-up and to have received the fair market value thereof at that time and section 239 does not apply in computing the loss therefrom.”

(2) This section applies in respect of the appropriation of any property made after 16 November 1978.

46. (1) Section 451 of the said act, replaced by section 34 of chapter 18 of the statutes of 1979, is amended by inserting, after subparagraph iii of paragraph *c*, the following subparagraph:

“iv. assets described in subparagraphs i to iii;”.

(2) This section applies in respect of a disposition made after 25 May 1978 of a share of the capital stock of a small business corporation.

47. (1) Section 456 of the said act is amended by replacing the second paragraph by the following paragraph:

“This section does not apply in respect of a transfer of property by a taxpayer as the payment of a premium under a registered retirement savings plan under which his spouse is an annuitant immediately after the transfer or as the payment of a remuneration which must be included in computing the income of his spouse.”

(2) This section applies in respect of a remuneration paid or payable after 25 March 1980 for services rendered after that date.

48. (1) Sections 464 and 465 of the said act are repealed.

(2) This section, to the extent that it repeals section 464 of the Taxation Act, applies in respect of a remuneration paid or payable after 25 March 1980 for services rendered after that date and, to the extent that it repeals section 465 of the said act, it applies in respect of a fiscal period of a business ending after 25 March 1980.

49. (1) Section 463.1 of the said act, enacted by section 39 of chapter 18 of the statutes of 1979, is amended by replacing that part which precedes paragraph *a* by the following:

“**463.1** Where an individual transfers, to his child who was resident in Canada immediately before the transfer, property that was for him, immediately before the transfer, a share of the capital stock of a small business corporation, the following rules apply, except where section 457 applies in respect of the taxable capital gain from the disposition by the individual of the property:”.

(2) This section applies in respect of a disposition made after 16 November 1978 of a share of the capital stock of a small business corporation.

50. (1) Section 508 of the said act, amended by section 90 of chapter 26 of the statutes of 1978 and by section 43 of chapter 18

of the statutes of 1979, is again amended by replacing that part which precedes paragraph *a* by the following:

“508. Where, at any time after 16 November 1978, a corporation reduces the paid-up capital in respect of a term preferred share otherwise than as referred to in sections 505 to 506.1 or where, under this chapter, a dividend is deemed to have been paid at a particular time on a given class of shares, for a determined value, the person who is the shareholder holding that term preferred share at that time or each person holding shares of that class at that time, or immediately after that time in the case contemplated in section 504, is deemed to receive as a dividend, in the case of such a reduction of the paid-up capital in respect of that term preferred share or in the case contemplated in section 506.1, an amount equal to the amount he in fact receives in respect of the reduction of the paid-up capital or, in other cases, an amount equal to the proportion of the value of the dividend so deemed to have been paid that”.

(2) This section has effect as from 6 December 1979.

51. (1) Section 517.5.1 of the said act, enacted by section 45 of chapter 18 of the statutes of 1979, is replaced by the following section:

“517.5.1 For the purposes of determining whether or not a taxpayer referred to in section 517.5 is a member, at any time, of a group referred to therein, that taxpayer is deemed to be the owner at that time of any share owned by a person who is

(a) the spouse of the taxpayer,

(b) an *inter vivos* trust of which the taxpayer, his spouse, a corporation referred to in paragraph *c* or a combination thereof is a beneficiary, or

(c) a corporation that is controlled by the taxpayer, his spouse, a trust referred to in paragraph *b* or any combination thereof.

Furthermore, that person is deemed, for those purposes, not to be the owner of that share.”

(2) This section applies in respect of dispositions of shares after 10 April 1978.

52. (1) Section 544 of the said act, amended by section 96 of chapter 26 of the statutes of 1978, is again amended by replacing that part which precedes paragraph *a* of subsection 1 by the following:

544. (1) For the purposes of this chapter, an amalgamation is a merger of several taxable Canadian corporations, hereinafter called "predecessor corporations", which are replaced to form one corporate entity hereinafter referred to as the "new corporation", in such a manner that, on account of such merger,".

(2) This section applies in respect of amalgamations or mergers occurring after 16 November 1978.

53. (1) The said act is amended by inserting, after section 550.2, the following sections:

550.3 For the purposes of sections 21.5 to 21.9, where, following an amalgamation occurring after 16 November 1978, a particular share of any class of the capital stock of the new corporation is issued in consideration for the disposition of a share of any class of the capital stock of a predecessor corporation and the terms and conditions of the particular share are similar to the terms and conditions of the share so disposed of, the following rules apply:

(a) the particular share is deemed to have been issued at the same time as the share disposed of;

(b) if the share disposed of was issued under an agreement in writing, the particular share is deemed to have been issued under that agreement; and

(c) the new corporation is deemed to be the same corporation as the predecessor corporation.

550.4 For the purposes of sections 21.12 to 21.15, where, following an amalgamation occurring after 16 November 1978, a particular bond or debenture of the new corporation is issued in consideration for the disposition of an income bond or income debenture of a predecessor corporation and the terms and conditions of the particular bond or debenture are similar to the terms and conditions of the bond or debenture so disposed of, the particular bond or debenture is deemed to have been issued at the same time as the bond or debenture disposed of and under the same agreement as that under which the bond or debenture disposed of was issued."

(2) This section has effect as from 6 December 1979.

54. (1) The said act is amended by inserting after section 555 the following division and sections:

"DIVISION III

"RULES APPLICABLE TO CERTAIN MERGERS

"555.1 This division applies where a new corporation resulting from the merger of several taxable Canadian corporations is, immediately after the merger, controlled by a taxable Canadian corporation, hereinafter called the "particular corporation", and where, at the time of the merger, shares of the capital stock of the particular corporation are issued to persons who, immediately before the merger, were shareholders of a predecessor corporation.

"555.2 For the purposes of paragraph *c* of subsection 1 of section 544, sections 551 to 554 and the Act respecting the application of the Taxation Act, any share of the particular corporation received by a shareholder of a predecessor corporation is deemed to be a share of the new corporation received by the shareholder by virtue of the merger.

"555.3 (1) Notwithstanding section 553, the cost to the particular corporation of shares of any class of the capital stock of the new corporation is deemed to be equal to the aggregate of the cost to it of such shares as determined under section 553 and, where all of the issued shares of the capital stock of the new corporation are owned by the particular corporation immediately after the merger, the portion attributed to those shares in accordance with section 555.4 of the amount referred to in subsection 2.

(2) The amount referred to in subsection 1 is the amount by which the aggregate, immediately before the merger, of the adjusted cost bases to the particular corporation of all the shares of a predecessor corporation that were then beneficially owned by it, is exceeded by the amount by which the aggregate, immediately after the merger, of the money on hand of the new corporation and the cost amount to the new corporation of each property owned by it exceeds the aggregate of all the debts of the new corporation.

"555.4 For the purposes of section 555.3, the particular corporation shall itself determine in its return of income for the taxation year in which the merger occurs the portion of the amount referred to in subsection 2 of that section which is attributed to the shares of the class contemplated in that section.

However, the portion of that amount so attributed to shares of a particular class must not exceed the amount by which the fair market value, immediately after the merger, of the shares of that class issued by virtue of the merger exceeds the cost of those same shares to the particular corporation, determined without reference to this section nor to section 555.3.

Furthermore, the aggregate of the portions so attributed to the shares of each class of the capital stock of the new corporation must not exceed the amount referred to in subsection 2 of section 555.3.”

(2) This section applies in respect of a merger occurring after 16 November 1978.

55. (1) Section 556 of the said act is replaced by the following section:

“**556.** Notwithstanding any other provision of this Part, the following rules apply to the winding-up after 6 May 1974 of a taxable Canadian corporation all of the issued shares of the capital stock of which were, immediately before the winding-up, owned by another taxable Canadian corporation, and in this chapter the wound-up corporation is called the “subsidiary”, while the corporation owning the shares is called the “parent”.”

(2) This section applies in respect of a winding-up of a corporation commencing after 16 November 1978.

56. (1) Section 559 of the said act, replaced by section 101 of chapter 26 of the statutes of 1978, is again replaced by the following section:

“**559.** The cost to the parent of each property of the subsidiary distributed to the parent on the winding-up is deemed equal to the proceeds of the disposition, as provided in section 557, plus, in the case of capital property, other than depreciable property, owned by the subsidiary at the time the parent last acquired, otherwise than by an amalgamation, control of the subsidiary and thereafter without interruption until such time as it was distributed to the parent on the winding-up, the part, determined in accordance with section 560 in respect of that capital property, of the amount by which the aggregate determined under paragraph *b* of section 558 exceeds the aggregate

(*a*) of the amount of the excess determined under subparagraph ii of paragraph *a* of section 558 and

(*b*) of the aggregate of all amounts each of which is in respect of any share of the capital stock of the subsidiary so disposed of by the parent on the winding-up and equal to the aggregate of all amounts each of which is received by the parent or by a corporation with which the parent was not dealing at arm’s length in respect of that share or of a share, hereinafter called a “replaced share”, that has replaced that share or a replaced share or that has been exchanged for that share or a replaced share, as a taxable dividend to the extent that the amount was deductible under sections 738 to 745 or 845 in computing the income of the re-

ipient corporation for a taxation year and was not an amount on which it was required to pay a prescribed tax, or as a capital dividend.”

(2) This section applies in respect of a winding-up commencing after 16 November 1978.

57. (1) Section 560 of the said act, amended by section 102 of chapter 26 of the statutes of 1978, is again amended by replacing the third paragraph by the following paragraph:

“Furthermore, the aggregate of all the parts so determined in respect of all the capital properties contemplated in section 559 must not exceed the amount by which the aggregate contemplated in paragraph *b* of section 558 exceeds the aggregate of the amount determined under subparagraph ii of paragraph *a* of section 558 and the amount determined under paragraph *b* of section 559.”

(2) This section applies in respect of a winding-up commencing after 16 November 1978.

58. (1) The said act is amended by inserting, after section 560, the following sections:

“560.1 For the purposes of sections 559 and 560, where the parent has been incorporated or otherwise formed after another corporation with which it did not deal at arm’s length at any time prior to the winding-up was incorporated or otherwise formed, the parent is deemed to have been in existence from the time of formation of the other corporation and to have been not dealing at arm’s length with the other corporation from that time.

The first paragraph does not apply if that other corporation is a corporation acquired by the parent from a person with whom it was dealing at arm’s length.

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

Similarly, in the case of a merger contemplated in section 555.1, where the parent did not have control of a predecessor corporation prior to the merger, the parent is deemed, for the purposes of sections 559 to 560.1, to have acquired control immediately prior to the merger.”

(2) This section applies in respect of a winding-up commencing after 16 November 1978.

59. (1) Section 564 of the said act is replaced by the following section:

“564. Subject to the special provisions of this chapter, section 545, except as regards the computing of the taxable income of the parent, section 546, subject to sections 481 to 483, and sections 548 to 553 apply, *mutatis mutandis*, to a winding-up described in section 556.”

(2) This section applies in respect of the winding-up of a corporation ending after 16 November 1978.

60. (1) Section 570 of the said act, amended by section 105 of chapter 26 of the statutes of 1978, is again amended by replacing paragraph *d* by the following paragraph:

“(d) “taxable Canadian corporation” means a corporation that, at the time the expression is relevant, is a Canadian corporation that is not, by virtue of a statutory provision, exempt from tax under this Part.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

61. (1) Section 640 of the said act is amended by replacing the first paragraph by the following paragraph:

“640. Subject to sections 242 to 247 and 428 to 451 and notwithstanding any other provision of this Part, the taxpayer referred to in section 639 is deemed not to have disposed of and to continue to have an interest in the partnership, hereinafter called a “residual interest”, until such time as all his rights to receive any property as consideration for his interest in the partnership immediately before the time that he ceased to be a member of the partnership are satisfied in full.”

(2) This section has effect as from 11 April 1978.

62. (1) Section 703 of the said act, amended by section 119 of chapter 26 of the statutes of 1978 and by section 56 of chapter 18 of the statutes of 1979, is again amended by replacing paragraph *f* by the following paragraph:

“(f) an amount included in computing his income for the year under paragraph *i* of section 311 or section 795 or 803;”.

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

63. (1) Section 704 of the said act, replaced by section 120 of chapter 26 of the statutes of 1978, is amended by replacing paragraph *a* by the following paragraph:

“(a) the amount by which the aggregate of amounts included therein under section 968 or 968.1 in respect of the disposition of an interest in a life insurance policy exceeds the portion of that aggregate which results from a policy loan, within the meaning of paragraph *b.2* of section 966, granted after 31 March 1978 in respect of that policy; and”.

(2) This section applies to the taxation year 1980 and subsequent taxation years.

64. (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 received by him from a corporation with which he does not deal at arm’s length or that he is deemed to receive by virtue of sections 504 to 510 and 517.”

(2) This section applies in respect of a dividend that a taxpayer receives or is deemed to receive after 16 November 1978.

65. (1) The said act is amended by inserting after section 725 the following section:

“**725.1** An individual may deduct any amount that he must pay no later than 30 April of the following year as a benefit repayment under Part VIII of the Unemployment Insurance Act, 1971 (Statutes of Canada), to the extent that the amount was not deductible in computing his taxable income for any previous taxation year.”

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

66. (1) The said act is amended by inserting after section 740 the following sections:

“**740.1** Sections 738 and 740 do not apply in respect of a dividend received by a particular corporation on a term preferred share acquired in the ordinary course of carrying on its business, when the particular corporation is

(a) a corporation described in any of paragraphs *b* to *f* of section 250.3 or an insurance corporation;

(b) a corporation in which a corporation described in paragraph *a* has an equity percentage, within the meaning of section 740.2, of at least ten per cent; or

(c) a corporation whose principal business is the ownership of shares and that is controlled by a related group of corporations described in paragraph *a* or *b* or would be controlled by such a group if all the corporations described in paragraphs *a* and *b* were members of a related group.

“740.2 For the purposes of paragraph *b* of section 740.1, the expression “equity percentage” has the meaning that would be given to it by section 573, if the rules of section 596 applied to all the trusts, without reference to their residence, and if the references to “number of shares” and “total number of issued shares” in subparagraph *a* of the first paragraph of section 573, were read as references to “number of issued shares other than shares that were not term preferred shares on 17 November 1978, but would have been term preferred shares on that day, had they not been issued before that day, or that are not term preferred shares by reason of having been issued pursuant to an agreement in writing made before 17 November 1978 and, in either case, that were issued in a transaction between persons dealing at arm’s length”.

“740.3 Sections 738 and 740 do not apply in respect of a dividend, other than a dividend paid in respect of a share referred to in paragraph *d* of section 21.6, received by a corporation that is not described in any of paragraphs *a* to *c* of section 740.1 on a share of the capital stock of a corporation that was acquired after 23 October 1979, if a particular corporation described in any of those paragraphs, a person related to such a particular corporation or a partnership or trust of which any such particular corporation or any such person related thereto is a member or beneficiary, as the case may be, is or may be required to acquire the share at any time, or provide any form of guarantee, security or covenant providing protection with respect to the share.”

(2) Sections 740.1 and 740.2 of the Taxation Act, enacted by this section, apply in respect of a dividend received after 16 November 1978; however, when such a dividend is received by an insurance corporation other than a life insurance corporation, those sections apply only if the dividend is received on a share acquired after 23 October 1979.

(3) Section 740.3 of the Taxation Act, enacted by this section, has effect as from 6 December 1979.

67. (1) Section 749 of the said act is amended by striking out paragraph *a*.

(2) This section applies to the taxation year 1976 and subsequent taxation years.

68. (1) Section 771 of the said act is amended by replacing subsection 1 by the following subsection:

“771. (1) Except as otherwise provided in this Part, the tax payable by a corporation for a taxation year is equal to 12 per cent of its taxable income for the year, in the case of a deposit insurance corporation described in paragraph *b* of section 804, or to the amount by which 13 per cent of its taxable income for the year exceeds 5 per cent of the amount that the corporation may deduct for the year by virtue of subsection 1 of section 125 of the Income Tax Act (Statutes of Canada) or subsection 3 of section 137 of that act, in other cases.”

(2) This section applies to a taxation year ending after 25 March 1980; however, in the case of a corporation liable, for a taxation year overlapping 25 March 1980, to a tax equal to the excess provided for in subsection 1 of section 771 of the Taxation Act, the tax payable provided for by the said subsection 1 for the latter year is equal to the aggregate of such proportion of 12 per cent of its taxable income for the year as is represented by the ratio between the number of days in the year preceding 26 March 1980 and the number of days included in the year, and of such proportion of the excess referred to in the said subsection 1 as is represented by the ratio between the number of days in the year after 25 March 1980 and the number of days included in the year.

69. (1) The said act is amended by inserting, after section 776, the following section:

“776.1 An individual may deduct from his tax otherwise payable for a taxation year under this Part, computed after any other deduction allowed for the year under this Part, an amount equal to 1½ per cent of the amount of that tax otherwise payable for the year in the case of the taxation year 1980, or to 3 per cent of the amount of that tax otherwise payable for the year in the case of the taxation year 1981 or a subsequent taxation year.”

(2) This section applies to the taxation year 1980 and subsequent taxation years.

70. (1) Section 845 of the said act, replaced by section 158 of chapter 26 of the statutes of 1978, is amended by replacing the second paragraph by the following paragraph:

“He may, however, deduct in computing his taxable income the aggregate of taxable dividends, other than dividends on term preferred shares, included in computing his income for the year

and received by him in the year from a taxable Canadian corporation.”

(2) This section applies in respect of dividends received after 16 November 1978.

71. (1) Section 849 of the said act, amended by section 162 of chapter 26 of the statutes of 1978, is again amended

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

“(c) the aggregate of amounts of surplus contributed to the insurer before the end of the year;”;

(b) by adding, after paragraph *e*, the following paragraph:

“(f) the amount by which the lesser of the aggregate of amounts paid after the insurer’s taxation year 1968 and before 1978, as dividends or stock dividends in respect of shares of the capital stock of the insurer, and the amount determined in his respect under paragraph *c* as it read in its application to the taxation year 1976, exceeds the aggregate of amounts of surplus contributed to the insurer before 1978.”

(2) This section applies to the taxation year 1977 and subsequent taxation years.

72. (1) Section 851.10 of the said act, enacted by section 165 of chapter 26 of the statutes of 1978, is amended by replacing paragraph *c* by the following paragraph:

“(c) the insurer is deemed, for the purposes of computing its income for the taxation year 1978, to have paid in the year to its policyholders in satisfaction of their rights under their segregated fund policies, an amount equal to that portion of the amount deducted under paragraph *a* of section 840 in computing its income for the taxation year 1977 that is in respect of segregated fund policies.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

73. (1) Section 894 of the said act is amended by replacing paragraph *b* by the following paragraph:

“(b) payment of scholarships or other amounts to a person other than the beneficiary, to allow that person to pursue studies at the post-secondary school level;”.

(2) This section applies in respect of an amount paid after 1978.

74. (1) Section 904 of the said act is amended by replacing that part of the first paragraph which precedes paragraph *b* by the following:

“904. A taxpayer who is or was a beneficiary under a registered education savings plan shall include in computing his income for a taxation year the aggregate of the financial assistance payments contemplated in section 893 paid to him or on his behalf in the year under the plan and amounts paid to him or on his behalf in the year, to the extent that such amounts may reasonably be regarded as a distribution of property that had been transferred from a trust governed by a registered education savings plan, of property substituted therefor or of income from any such property, after subtracting the greater of

(a) the amount of the tax-paid-income actually allocated to the taxpayer in the year under the plan, and”.

(2) This section applies in respect of amounts paid after 1978.

75. (1) The heading of Chapter I of Title IV of Book VII of Part I of the said act, preceding section 906, is replaced by the following heading:

“INTERPRETATION AND REGISTRATION”.

(2) This section has effect as from 30 June 1978.

76. (1) The said act is amended by inserting, after the heading preceding section 906, the following section:

“905.1 In this title,

(a) “benefit” includes any amount received out of or under a retirement savings plan, whether in accordance with the terms of the plan, resulting from an amendment to or modification of the plan or resulting from the termination of the plan, other than

i. the portion thereof received by a person other than the annuitant that can reasonably be regarded as part of the amount included in computing the income of the annuitant by virtue of section 915.2,

ii. an amount received by the person with whom the annuitant entered into a contract or arrangement contemplated in section 907, as a premium under the plan, and

iii. an amount, or part thereof, received in respect of the income of the trust governed by the plan, for a taxation year contemplated in section 921.1;

(b) “annuitant” means, until such time after the date provided for the first payment of benefits as his spouse becomes entitled, as a consequence of his death, to receive benefits to be paid out of or under the plan, the individual referred to in section 907 for whom, under a retirement savings plan, a retirement income is to be provided, and, after that individual’s death, his spouse.”

(2) This section has effect as from 30 June 1978.

77. (1) Section 908 of the said act, amended by section 61 of chapter 18 of the statutes of 1979, is again amended

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

“(a) before the date provided for the first payment of benefits other than a refund of premiums or other than a payment of the whole or part of the excess referred to in section 924 or of the amount by which, for a year, at a particular time, the aggregate of the amounts, other than those contemplated in paragraph *d* or *f* of section 339, or in section 913, that the individual has paid during the year, and before the particular time, to all of the registered retirement savings plans under which he or his spouse is the annuitant, and the gifts made in the year and before the particular time, to such plans under which the taxpayer is the annuitant, other than the gifts made by his spouse, exceeds the sum of \$5 500 plus the amounts that the individual is entitled to deduct in computing his income for the preceding year in respect of such aggregate, although such payment must not exceed the part of that aggregate paid into the plan; or”;

(b) by replacing subsection 2 by the following subsection:

“(2) For the purposes of this title, “refund of premiums” means

(a) any amount paid to a spouse of the annuitant, as a consequence of his death, out of or under a registered retirement savings plan of the annuitant before the date provided for the first payment of benefits, or,

(b) if the annuitant had no spouse at the time of his death, the aggregate of amounts paid out of or under his registered retirement savings plans to his child or grandchild who was at that time financially dependent on him for support, as does not exceed, except in the case of a child or grandchild who was dependent on him by reason of physical or mental infirmity, the amount obtained when \$5 000 is multiplied by the amount by which 26 exceeds the number that is the age in whole years of that child or grandchild at that time.

For the purpose of paragraph *b* of subsection 1, it is assumed, unless the contrary is established, that an annuitant’s child or

grandchild was not financially dependent on him at the time of his death if any other person was permitted a deduction provided for in paragraph *c* of section 695 in respect of that child or grandchild in computing his taxable income for the year immediately preceding the year in which the annuitant died, or if the income of the child or grandchild for that preceding year exceeded \$5 000.”

(2) Subparagraph *a* of the first paragraph of subsection 1 applies to the taxation year 1977 and subsequent taxation years.

(3) Subparagraph *b* of the first paragraph of subsection 1 applies in respect of a death occurring after 29 June 1978.

78. (1) Section 909 of the said act, replaced by section 62 of chapter 18 of the statutes of 1979, is amended by replacing the third paragraph by the following paragraph:

“Furthermore, the plan shall not provide for the payment of premiums after the date provided for the first payment of benefits, and such date shall not be before the earliest of such times as the annuitant attains 60 years of age, the annuitant or his spouse receives a disability pension paid under the Act respecting the Québec Pension Plan or a similar plan within the meaning of the said act or, where the spouse of the annuitant has died, the annuitant receives a surviving spouse’s pension paid under the Act respecting the Québec Pension Plan or a similar plan within the meaning of the said act, or after the end of the year in which the annuitant attains 71 years of age.”

(2) This section has effect as from 30 June 1978.

79. (1) Section 910 of the said act, amended by section 63 of chapter 18 of the statutes of 1979, is again amended by replacing the first and second paragraphs by the following paragraphs:

910. The plan must provide that no annuity payable thereunder to an annuitant under the plan is capable either in whole or in part of surrender, commutation or assignment.

The plan must also require the commutation of each annuity that would otherwise become payable to a person other than an annuitant under the plan.”

(2) This section, to the extent that it replaces the first paragraph of section 910 of the Taxation Act, has effect as from 30 June 1978 and, to the extent that it replaces the second paragraph of the said section 910, it applies to the taxation year 1979 and subsequent taxation years.

80. (1) Section 911 of the said act, amended by section 64 of chapter 18 of the statutes of 1979, is again amended by adding, after paragraph *f*, the following paragraph:

“(g) for the payment of an amount after the death of an annuitant under the plan.”

(2) This section has effect as from 30 June 1978.

81. (1) Section 913 of the said act, amended by section 65 of chapter 18 of the statutes of 1979, is replaced by the following section:

“**913.** Notwithstanding any other provision of this title, a registered retirement savings plan may be revised or amended to provide for the payment or transfer of funds of the plan on behalf of the individual who is the annuitant under the plan, by a person or corporation described in section 907 with whom the individual has an arrangement contemplated in the said section, to any other such person under another registered retirement savings plan under which the individual is the annuitant, as a contribution to or under a registered retirement plan or, after the earliest of the times described in the third paragraph of section 909, to a person or corporation contemplated in section 961.3 under a registered retirement income fund under which the individual is the beneficiary.

In computing his income for a taxation year, the annuitant shall not include, under section 929, by the mere fact of such payment or transfer before the year in which he attains 72 years of age, the amount so paid or transferred, and shall not in that respect claim any deduction under section 59, 339, 922 or 924.”

(2) This section, to the extent that it replaces the first paragraph of section 913 of the Taxation Act, has effect as from 30 June 1978 and, to the extent that it replaces the second paragraph of the said section 913, it applies to the taxation year 1979 and subsequent taxation years.

82. (1) Section 915.1 of the said act, enacted by section 66 of chapter 18 of the statutes of 1979, is amended by replacing the first paragraph by the following paragraph:

“**915.1** For the purposes of section 914, where the date provided for the first payment of benefits under a registered retirement savings plan arrives and that date is after 30 June 1978 and before the earliest of the times described in the third paragraph of section 909, the plan is deemed to have become, immediately before the date provided for the first payment of benefits,

a new plan which does not meet the requirements of this title with regard to registration.”

(2) This section has effect as from 30 June 1978.

83. (1) Section 915.2 of the said act, enacted by section 66 of chapter 18 of the statutes of 1979, is replaced by the following section:

“915.2 Where the annuitant under a registered retirement savings plan dies after 29 June 1978 and where the date provided by the plan for the first payment of benefits is after 29 June 1978, the annuitant is deemed to have received, immediately before his death, as a benefit out of or under a registered retirement savings plan, an amount equal to the amount by which the fair market value of all the property of the plan at the time of his death exceeds the portion thereof that, as a consequence of his death, becomes receivable by his spouse, or would become so receivable should that spouse survive throughout the entire period for which a guaranteed term annuity is provided for under the plan.

However, an annuitant contemplated in the first paragraph may deduct from the amount he is deemed to have received under that paragraph the aggregate of all amounts received under the plan by his child or grandchild as a refund of premiums and of that portion of the amounts paid out of or under the plan that is deemed to be received by a beneficiary as a benefit that is a refund of premiums in accordance with section 930.”

(2) This section has effect as from 30 June 1978.

84. (1) The said act is amended by inserting, after section 915.3, the following section:

“915.4 Where an annuitant under a registered retirement savings plan dies after the date provided for the first payment of benefits and where his legal representative, as a consequence of the death, becomes entitled to receive an amount out of or under the plan for the benefit of the spouse of the annuitant, the spouse is deemed to have become the annuitant under the plan as a consequence of the annuitant’s death, and such amount is deemed to be receivable by the spouse and, when paid, to be received by the spouse as a benefit under the plan and not to be received by any other person.

This section applies only if the legal representative and the spouse of the annuitant file with the Minister an election to that effect in prescribed form.”

(2) This section has effect as from 30 June 1978.

85. (1) The said act is amended by inserting, after section 921, the following section:

“921.1 Notwithstanding section 919, a trust governed by a registered retirement savings plan must pay tax under this Part on its taxable income for each taxation year after the year of the death of the last annuitant under the plan.”

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

86. (1) Section 930 of the said act is replaced by the following section:

“930. Where, during a taxation year, the legal representative of a deceased taxpayer who was an annuitant under a registered retirement savings plan receives an amount paid out of or under that plan, and where a portion of that amount would have been a refund of premiums had it been paid under the plan to a beneficiary of the deceased's estate, that portion is deemed to be received by the beneficiary in the year as a benefit that is refund of premiums, to the extent that it is so designated jointly by the legal representative and the beneficiary in prescribed form filed with the Minister.”

(2) This section applies with respect to a death occurring after 29 June 1978.

87. (1) Section 931 of the said act is repealed.

(2) This section applies with respect to a death occurring after 29 June 1978.

88. (1) Section 933 of the said act is replaced by the following section:

“933. Where at any time in a taxation year a trust governed by a registered retirement savings plan acquires a non-qualified investment or commences to use or permit to be used any property of the trust as security for a loan, the taxpayer who is the annuitant under the plan at the time shall include in computing his income for the year the fair market value of the investment at the time it was acquired by the trust or, as the case may be, the fair market value of the property at the time it commenced to be so used.”

(2) This section applies in respect of property acquired or commenced to be used as security for a loan after 16 November 1978.

89. (1) Section 941 of the said act is amended by replacing the first paragraph by the following paragraph:

“941. Notwithstanding any other provision of this title, a registered home ownership savings plan may be revised or amended to provide for the payment or transfer of all funds thereunder, on behalf of the beneficiary, by a corporation with which the beneficiary has an arrangement referred to in section 937, to any corporation with which the beneficiary has a similar arrangement.”

(2) This section has effect as from 6 December 1979.

90. (1) Section 952.1 of the said act, enacted by section 176 of chapter 26 of the statutes of 1978, is amended by adding the following paragraph:

“The deduction provided for in the first paragraph for a year is not allowed if the individual contemplated therein has previously deducted an amount under that paragraph in computing his income for any preceding year.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

91. (1) Section 961.8 of the said act, enacted by section 68 of chapter 18 of the statutes of 1979, is replaced by the following section:

“961.8 Where, in a taxation year, the legal representative of a deceased taxpayer who was the last beneficiary under a registered retirement income fund receives an amount out of or under the fund and portion of that amount, had that portion been paid under the fund to a particular beneficiary of the estate of the deceased beneficiary, would have been a refund of premiums, within the meaning of subsection 2 of section 908, out of or under a registered retirement savings plan if the fund had been such a plan, that portion is deemed to be received by the particular beneficiary in the year as a benefit, within the meaning of paragraph *a* of section 905.1, that is such a refund of premiums, and not to be received out of or under a registered retirement income fund, to the extent that that portion is so indicated jointly by the legal representative and the particular beneficiary in a statement in the prescribed form filed with the Minister.”

(2) This section has effect as from 30 June 1978.

92. (1) The said act is amended by inserting, after section 961.16, the following section:

“961.16.1 A trust governed by a registered retirement income fund shall pay tax under this Part on its taxable income for each taxation year after the year in which the last beneficiary under the fund died, and sections 961.12 to 961.16 do not apply to such a taxation year.”

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

93. (1) Section 961.17 of the said act, enacted by section 68 of chapter 18 of the statutes of 1979, is replaced by the following sections:

“961.17 A taxpayer shall include in computing his income for a taxation year an amount received by him in the year out of or under a registered retirement income fund, other than the portion of that amount that can reasonably be regarded as

(a) part of the amount included in computing the income of another taxpayer under section 961.17.1; or

(b) an amount received in respect of the income of the trust under the fund for a taxation year referred to in section 961.16.1.

“961.17.1 Where the last beneficiary under a registered retirement income fund dies, he is deemed to have received, immediately before his death, an amount out of or under a registered retirement income fund equal to the amount by which the fair market value of all the property of the fund, at the time of his death, exceeds the portion of that amount that his spouse becomes entitled to receive by reason of the death.

However, the beneficiary referred to in the first paragraph may deduct from the amount he is deemed to have received under that paragraph the aggregate of the amounts paid under the fund to his child or grandchild that, had such amounts been paid out of or under a registered retirement savings plan would have been a refund of premiums, within the meaning of subsection 2 of section 908, and that portion of the amounts paid out of or under the fund that is deemed to be received by a beneficiary as a benefit that is a refund of premiums pursuant to section 961.8.

An amount paid to a child or grandchild of the beneficiary that is contemplated in the second paragraph is deemed not to be received out of or under a registered retirement income fund.”

(2) This section has effect as from 30 June 1978.

94. (1) Section 961.19 of the said act, enacted by section 68 of chapter 18 of the statutes of 1979, is replaced by the following section:

“961.19 Where, at any time in a taxation year, a trust governed by a registered retirement income fund acquires a non-qualified investment, or commences to use or permit the use of a property of the trust as security for a loan, the beneficiary under the fund at that time shall include, in computing his income for the year, the fair market value of the investment at the time of the acquisition or, as the case may be, the fair market value of the property at the time the property commences to be so used.”

(2) This section applies to a property acquired or commencing to be used as security for a loan after 16 November 1978.

95. (1) The said act is amended by inserting after section 965.9 the following sections:

“965.9.1 For the purposes of this title, where a share included in a stock savings plan of a taxpayer is split and the condition provided for in paragraph *g* of section 965.2 is fulfilled in respect of the certificate for each share issued in respect of the split share, the split share is deemed not to have been removed from the plan as a result of the splitting and each new share so issued is deemed to be a share that may be included in the plan and that was included in the plan at the same time as the split share was included therein.

“965.9.2 In the case contemplated in section 965.9.1, the cost to the taxpayer, at any time after the splitting, of the split share or a share so issued is deemed, for the purposes of this title, to be an amount equal to the proportion of the cost to him, otherwise determined immediately after the splitting, of the split share, represented by the ratio of one to the number of shares resulting from the splitting of the share.

“965.9.3 For the purposes of this title, where a share included in a stock savings plan of a taxpayer is split and the condition provided for in paragraph *g* of section 965.2 is not fulfilled in respect of the certificate for each share issued in respect of the split share, the split share is deemed to be removed from the plan at the time of the splitting and to be so removed at a cost equal to the cost thereof otherwise determined immediately before the splitting.”

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

96. (1) Section 966 of the said act, amended by section 181 of chapter 26 of the statutes of 1978, is again amended

(a) by replacing that part of paragraph *a* that precedes subparagraph i by the following:

“(a) “disposition”, in relation to an interest in a life insurance policy, includes the surrender of the policy, a policy loan made after 31 March 1978 in respect of the policy, the dissolution of that interest by virtue of the maturity of the policy, the disposition of that interest by operation of law only, and a particular payment which is not an annuity payment, a policy loan or a policy dividend and which is paid by the insurer in respect of the policy where the latter is not a policy contemplated in paragraph *b* of subsection 2 of section 968 and is a life annuity contract, within the meaning of the regulations, entered into after 16 November 1978, but does not include.”;

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

“(b.1) “person whose life was insured” includes an annuitant under a life annuity contract, within the meaning of the regulations, entered into before 17 November 1978.”;

(c) by replacing subparagraph ii of paragraph *b.4* by the following subparagraphs:

“ii. in respect of a policy loan in respect of that policy made after 31 March 1978, the lesser of the amount of the loan and the amount by which the cash surrender value of the policy immediately before the loan is made exceeds the aggregate of the amounts outstanding at that time in respect of policy loans in respect of the policy; and

“iii. in respect of a particular payment referred to in paragraph *a*, the amount of the payment.”

(2) Paragraphs *a* and *b* of subsection 1 apply to the taxation year 1980 and subsequent taxation years.

(3) Paragraph *c* of subsection 1, to the extent that it replaces subparagraph ii of paragraph *b.4* of section 966 of the Taxation Act, applies after 31 March 1978 and, to the extent that it enacts paragraph iii of the said paragraph *b.4*, applies to the taxation year 1980 and subsequent taxation years.

97. (1) Section 968 of the said act, replaced by section 183 of chapter 26 of the statutes of 1978, is amended by replacing subsection 2 by the following subsection:

“(2) For the purposes of subsection 1, a “life insurance policy” does not include

(a) an annuity contract that is not a life annuity contract within the meaning of the regulations, or

(b) a policy that is a registered retirement plan, a registered retirement savings plan, a deferred profit sharing plan or an income-averaging annuity or that is issued pursuant to such a plan or such an income-averaging annuity.”

(2) This section applies to the taxation year 1980 and subsequent taxation years.

98. (1) The said act is amended by inserting after section 968 the following section:

“968.1 A taxpayer must include in computing his income for a taxation year in respect of the disposition of an interest in a life insurance policy which is not a policy referred to in paragraph *b* of subsection 2 of section 968 and is a life annuity contract, within the meaning of the regulations, entered into after 16 November 1978, the amount by which a particular payment referred to in paragraph *a* of section 966 that he becomes entitled to receive in the year exceeds the amount that would be the adjusted cost base to him of his interest in the policy immediately before the disposition if, for the purposes of section 976, he was, in respect of that interest in the policy, the policyholder.”

(2) This section applies to the taxation year 1980 and subsequent taxation years.

99. (1) Section 976 of the said act, replaced by section 190 of chapter 26 of the statutes of 1978, is amended by replacing paragraph *d* by the following paragraph:

“(d) the amounts repaid, except any repayment deductible under paragraph *k* of section 157, after 31 March 1978 and before that particular time of a policy loan in respect of the policy, not exceeding the aggregate of the proceeds from the disposition of an interest in the policy in respect of that loan, and the amount payable on 31 March 1978 in respect of a policy loan in respect of the policy; and”.

(2) This section applies after 31 March 1978.

100. (1) Section 985 of the said act is amended by replacing the second paragraph by the following paragraph:

“The same applies to a subsidiary wholly owned corporation of such corporation, commission or association, except a subsidiary wholly owned corporation of a prescribed corporation.”

(2) This section applies to the taxation year 1978 and subsequent taxation years.

101. (1) Section 998 of the said act, amended by section 69 of chapter 18 of the statutes of 1979, is again amended by replacing paragraphs *c* and *d* by the following paragraphs:

“(c) a limited-dividend housing company within the meaning of section 2 of the National Housing Act (Statutes of Canada) all or substantially all of the business of which is the construction, holding or management of low-rental housing projects;

“(c.1) a corporation incorporated solely for the administration of a registered retirement plan and accepted by the minister as a funding medium for the purposes of the registration of a retirement plan, provided that the corporation has in fact administered that plan throughout the period referred to in section 980;

“(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 or, in the case of a corporation without share capital, all the property of which has been 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, being a corporation that

i. was incorporated before 17 November 1978 solely for the administration of a registered retirement plan or in connection with that plan;

ii. limited, without interruption since the later of the date on which it was incorporated and 16 November 1978, its activities to acquiring, holding, maintaining, improving, leasing or managing capital property that is real property or an interest therein owned by the corporation, a registered retirement plan or another corporation described in this subparagraph, other than a corporation without share capital, borrowed money solely for the purpose of earning income from real property or an interest therein and made no investments other than investments in real property or an interest therein or investments that a registered retirement plan is permitted to make under the Pension Benefits Standards Act (Statutes of Canada) or a similar law of a province; or

iii. made no investments other than investments that a registered retirement plan is permitted to make under the Pension Benefits Standards Act (Statutes of Canada) or a similar law of a province, and whose assets were at least 98 per cent cash and investments, that has not issued debt obligations or accepted deposits, and has derived at least 98 per cent of its income for the period referred to in section 980 that is a taxation year of the corporation from, or from the disposition of, investments;

“(d) a trust established under a registered retirement plan;”.

(2) This section applies to taxation years commencing after 1978.

102. (1) The said act is amended by inserting after section 998 the following section:

“998.1 For the purposes of paragraph *c.2* of section 998, where it must be determined if a corporation is 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, where there has been a merger, within the meaning of section 544, of corporations, section 549 applies and the shares of the predecessor corporations are deemed to have been altered in form only, and to be shares of the new corporation.”

(2) This section applies to taxation years commencing after 1978.

103. (1) Section 1015 of the said act, amended by section 70 of chapter 18 of the statutes of 1979, is again amended by inserting after paragraph *l* the following paragraph:

“(m) a termination payment.”

(2) This section has effect as from 6 December 1979.

104. (1) The heading of Chapter V of Title III of Book IX of Part I of the said act, preceding section 1034, is replaced by the following heading:

“JOINT AND SEVERAL LIABILITY TO PAY TAX”.

(2) This section has effect as from 17 November 1978.

105. (1) The said act is amended by inserting after section 1034 the following section:

“1034.1 (1) Where an amount is received out of or under a registered retirement savings plan by a taxpayer other than an annuitant within the meaning of paragraph *b* of section 905.1 under the plan, and that amount or part thereof would, but for subparagraph *i* of paragraph *a* of that section, be received by the taxpayer as a benefit within the meaning of the said paragraph *a*, the taxpayer and the last annuitant under the plan are jointly and severally liable to pay a part of the annuitant’s tax under this Part for the year of his death equal to that proportion of the amount by which that tax exceeds the tax that would have been computed but for section 915.2 that the aggregate of all amounts received from the plan by the taxpayer and that would, but for the said subparagraph *i*, be a benefit, within the meaning of the said paragraph *a*, received by the taxpayer, is of the amount included under section 915.2 in computing the income of the annuitant.

(2) Where an amount is received out of or under a registered retirement income fund by a taxpayer other than a beneficiary under the fund, and that amount or part thereof would, but for paragraph *a* of section 961.17, be included in computing the taxpayer's income for the year of receipt pursuant to that section, the taxpayer and the beneficiary under the fund are jointly and severally liable to pay a part of the beneficiary's tax under this Part for the year of his death equal to that proportion of the amount by which that tax exceeds the tax that would have been computed but for section 961.17.1, that the aggregate of all amounts received from the fund by the taxpayer and that would, but for that paragraph *a*, be included in computing the taxpayer's income for the year of receipt pursuant to section 961.17, is of the amount included pursuant to section 961.17.1 in computing the beneficiary's income.

(3) However, this section does not free the annuitant under the plan or, as the case may be, the beneficiary under the fund from his liabilities under any other provision of this act."

(2) This section applies to a death occurring after 16 November 1978.

106. (1) Sections 1035 and 1036 of the said act are replaced by the following sections:

"1035. The minister may at any time assess a transferee in respect of any amount payable by virtue of section 1034, or a taxpayer in respect of any amount payable by virtue of section 1034.1, and this title applies *mutatis mutandis* to that assessment as though it had been made under Title II.

"1036. Where a transferor and a transferee, or an annuitant or beneficiary and a taxpayer, are, by virtue of section 1034 or 1034.1, jointly and severally liable in respect of all or part of a liability of the transferor, annuitant or beneficiary, the following rules apply:

(*a*) a payment by the transferee or taxpayer, on account of his liability, discharges up to the amount of the payment, the joint and several liability, and

(*b*) a payment on account of his liability by the transferor, or by the annuitant or beneficiary, discharges the liability of the transferee or the taxpayer only to the extent that the payment operates to reduce the annuitant's or beneficiary's liability to an amount less than the amount in respect of which the transferee or the taxpayer is jointly and severally liable pursuant to section 1034 or 1034.1."

(2) This section applies to a death occurring after 16 November 1978.

107. (1) Section 1104 of the said act is amended by replacing paragraph *h* by the following paragraph:

“(*h*) an amount of not less than 85 per cent of the aggregate determined under section 1105, less any dividends or interest received by it in the form of shares, bonds or other securities that had not been sold before the end of the year, was distributed to its shareholders before the end of the year and otherwise than by way of a stock dividend.”

(2) This section applies to stock dividends paid after 16 November 1978.

108. (1) Section 1132 of the said act, replaced by subsection 1 of section 27 of chapter 38 of the statutes of 1979, is amended by replacing paragraph *a* by the following paragraph:

“(*a*) in the case of a bank, loan corporation, trust corporation or a corporation trading in securities, to three-fifths of one per cent of its paid-up capital;”.

(2) This section has effect as from 1 April 1979.

109. (1) The heading of Title I of Book III of Part IV of the said act, replaced by subsection 1 of section 27 of chapter 38 of the statutes of 1979, is again replaced by the following heading:

“TITLE I

“CORPORATIONS OTHER THAN BANKS, LOAN CORPORATIONS,
TRUST CORPORATIONS AND CORPORATIONS TRADING
IN SECURITIES”.

(2) This section has effect as from 1 April 1979.

110. (1) Section 1138 of the said act, replaced by subsection 1 of section 27 of chapter 38 of the statutes of 1979, is amended by adding, to subsection 1, the following paragraph:

“For the purposes of this subsection, the value of a share is deemed equal to its cost where the amount included in the assets is less than that cost; in such a case, the amount by which the cost exceeds that amount must be included in the paid-up capital of the corporation if it is not already included therein under section 1136.”

(2) This section has effect as from 1 April 1979.

111. (1) Section 1139 of the said act, replaced by subsection 1 of section 27 of chapter 38 of the statutes of 1979, is repealed.

(2) This section has effect as from 1 April 1979.

112. (1) The heading of Title II of Book III of Part IV of the said act, replaced by subsection 1 of section 27 of chapter 38 of the statutes of 1979, is again replaced by the following heading:

“TITLE II

“BANKS, LOAN CORPORATIONS, TRUST CORPORATIONS
AND CORPORATIONS TRADING IN SECURITIES”.

(2) This section has effect as from 1 April 1979.

113. (1) Sections 1140 and 1141 of the said act, replaced by subsection 1 of section 27 of chapter 38 of the statutes of 1979, are again replaced by the following sections:

“**1140.** In this Part, the paid-up capital of a bank includes

(a) the paid-up capital stock;

(b) the general reserve and the other reserves and provisions except those for amortization or depletion and those that are permitted by Part I provided that they were deducted in computing income under that Part;

(c) the undivided profits.

“**1141.** In this Part, the paid-up capital of a loan corporation or a trust corporation includes

(a) the paid-up capital stock;

(b) the provisions and reserves except those for amortization and depletion and those permitted by Part I provided that they were deducted in computing income under that Part;

(c) the surplus.

“**1141.1** In this Part, the paid-up capital of a corporation trading in securities includes

(a) the paid-up capital stock;

(b) the provisions and reserves except those for amortization and depletion and those permitted by Part I provided that they were deducted in computing income under that Part;

(c) the subordinated loans and the other debts whose repayment is subject to the prior approval of an agency empowered to regulate trading in securities;

(d) the surplus.

“1141.2 A corporation referred to in section 1140, 1141 or 1141.1 may, in computing its paid-up capital, deduct the amount of its deficit.”

(2) This section has effect as from 1 April 1979.

114. (1) Section 1160 of the said act, replaced by paragraph *a* of section 28 of chapter 38 of the statutes of 1979, is again replaced by the following section:

“1160. Every corporation which, at any time in a taxation year, refines petroleum in Québec or allows its installations to be used for that purpose must pay, for that year, in addition to the tax provided for in Part IV, an additional tax of two per cent of the amount of its paid-up capital established in accordance with sections 1131 and 1136 to 1138.”

(2) This section applies to a taxation year ending after 1979. However, where such a year includes a period comprised between 31 December 1979 and 26 March 1980, the tax provided for in section 1160 is equal,

(*a*) for a taxation year ending before 26 March 1980, to the product obtained by multiplying its paid-up capital stock computed under subsection 1 by one-third of one per cent, in the proportion that the number of days comprised between 31 December 1979 and the end of that year is of three hundred and sixty five;

(*b*) for a taxation year overlapping 25 March 1980, to the aggregate of the following amounts:

i. the product obtained by multiplying its paid-up capital computed under subsection 1 by one-third of one per cent, in the proportion that the number of days comprised between 31 December 1979 or, as the case may be, the end of the previous taxation year if that date is later than 31 December 1979, and 26 March 1980, is of three hundred and sixty-five; and

ii. the product obtained by multiplying its paid-up capital computed under subsection 1 by two per cent in the proportion that the number of days comprised between 25 March 1980 and the end of that taxation year is of three hundred and sixty-five.

(3) Every corporation referred to in section 1160 must pay to the Minister,

(*a*) not later than 31 July 1980, for the taxation year ending after 31 December 1979 but before 26 March 1980, an amount equal to the product obtained by multiplying its paid-up capital computed under subsection 1 by one-third of one per cent, in the proportion that the number of days comprised between 31 December 1979 and the end of that year is of three hundred and sixty-five;

(b) not later than 31 July 1980, for the taxation year overlapping 25 March 1980 and not overlapping 31 July 1980, an amount equal to the tax computed under paragraph *b* of subsection 2 of this section; and

(c) notwithstanding section 1165 where it refers to section 1027, for the taxation year overlapping 25 March 1980 and overlapping 31 July 1980, not later than the last day of each month later than 30 June 1980, an amount equal to the aggregate of the tax computed under paragraph *b* of subsection 2 of this section, in the proportion that one is of the number of months later than 30 June 1980 comprised in that year.

(4) For the purposes of section 1165 where it refers to section 1027, the basic provisional account or the estimated tax for the taxation year following the year overlapping 25 March 1980 is computed as though subsection 1 applied to the whole taxation year.

115. (1) Sections 1161 and 1162 of the said act are replaced by the following sections:

“1161. A corporation may deduct from the tax exigible from it under section 1160 in a taxation year, Canadian exploration expenses within the meaning of sections 395 to 397, incurred by it in Québec in the year in connection with an oil resource or a natural gas resource.

“1162. If a corporation referred to in section 1160 carries on a business outside Québec in a taxation year, the tax payable by the corporation under section 1161 is equal to that part of the tax represented by the ratio between the gross income reasonably attributable to the establishment situated in Québec and the total of its gross income for the year.”

(2) This section applies to a taxation year ending after 1979.

116. Section 1164 of the said act is replaced by the following section:

“1164. Every corporation referred to in section 1163 shall, at the time of payment of the tax, file with the Minister such return as he may prescribe.”

117. (1) Section 1165 of the said act, replaced by paragraph *b* of section 28 of chapter 38 of the statutes of 1979, is again replaced by the following section:

“1165. Sections 1005 to 1079, 1130, 1134 and 1144 apply *mutatis mutandis* to this Part except where inconsistent with this Part.”

(2) This section applies to taxation years ending after 1979.

118. (1) Section 1167 of the said act is amended by replacing the first paragraph by the following paragraphs:

“1167. Every insurance corporation carrying on business in Québec, except that mentioned in paragraph *b* of section 998, shall pay for each period of twelve months, as tax on capital, on every premium payable to the corporation or its agent with respect to its business in Québec other than an annuity contract, except on any reinsurance premium paid to the corporation by another insurance corporation, a tax equal,

(*a*) in the case of insurance relating to the life, health or physical well-being of the insured, to two per cent of the premium payable;

(*b*) in all other cases, to three per cent of the premium payable.

For the purposes of the first paragraph, insurance relating to the physical well-being of the insured means a contract of insurance under which the insurer undertakes to indemnify the insured otherwise than in a manner accessory to a contract of damage insurance for any injury sustained by the latter caused by an accident.”

(2) This section applies after 25 March 1980.

119. (1) Section 1174 of the said act, replaced by section 29 of chapter 38 of the statutes of 1979, is again replaced by the following section:

“1174. Sections 1143 and 1144 apply, *mutatis mutandis*, to this Part.

Furthermore, the Government may make regulations to exempt, on such conditions as it may prescribe, an insurance corporation from paying taxes in respect of a class or a type of business.”

(2) This section has effect as from 1 April 1979.

120. (1) Section 75 of the Act respecting the application of the Taxation Act (R.S.Q., c. I-4) is replaced by the following sections:

“75. Where a corporation resident in Canada receives, after 1971, a stock dividend in respect of a share of the capital stock of a foreign affiliate of that corporation owned between 18 June 1971 and 31 December 1971 by the corporation or a corporation with which it was not dealing at arm’s length and the share received as a stock dividend is identical to the share in respect of which the stock dividend is received, the share so received is, at the option of the corporation, deemed to be, for the purposes of sections 69 and 70, capital property owned by it on 18 June 1971 and, for the purposes of paragraph *c* of section 68, section 73 and this section, capital property owned by it on 18 June 1971 and on 31 December 1971, and not to be property acquired by the corporation after 1971 for the purposes of paragraph *d* of section 73.

“75.1 Where a corporation resident in Canada receives, after 1971, a stock dividend in respect of a share of the capital stock of a foreign affiliate of the corporation owned by the corporation on 31 December 1971 and acquired by it after 18 June 1971 from a person with whom it was dealing at arm’s length and the share received as a stock dividend is identical to the share in respect of which the stock dividend is received, the share so received is, at the option of the corporation, deemed to be, for the purposes of paragraph *c* of section 68, section 73 and this section, capital property owned by it on 31 December 1971, and deemed not to be property acquired by the corporation after 1971 for the purposes of paragraph *d* of section 73.

“75.2 For the purposes of sections 75 and 75.1, the first paragraph of section 549 of the Taxation Act applies where an amalgamation within the meaning of section 544 of the said act has occurred.”

(2) This section applies to the taxation year 1972 and subsequent taxation years.

121. (1) Section 27 of the Act to again amend the Taxation Act and to amend other legislation (1979, c. 38) is amended by replacing subsection 6 by the following subsection:

“(6) For the purposes of subsections 4 and 5, the taxation rate applicable to a corporation under Part IV of the Taxation Act, as it read on 31 March 1979, is deemed equal to one-half of one per cent in the case of a loan corporation and a corporation trading in securities, to one-fifth of one per cent in the absence of such a rate and equal to zero in the case of a corporation exempt pursuant to that Part.”

(2) This section has effect as from 1 April 1979.

122. Sections 21 and 22 of the Act respecting fiscal incentives to industrial development (R.S.Q., c. S-34) are amended by replacing the year "1980" wherever it appears by the year "1981".

123. (1) Section 3 of the Act respecting the Québec Pension Plan (R.S.Q., c. R-9) is amended by striking out paragraph *c*.

(2) This section applies in respect of work done by a person in the employ of his spouse after 25 March 1980.

124. Where this act refers to a provision enacted by chapter 26 of the statutes of 1978 or chapter 14 or 18 of the statutes of 1979, that provision is renumbered in accordance with the Schedule to this act as if it had been consolidated under the Act respecting the consolidation of the statutes and regulations (R.S.Q., c. R-3).

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

SCHEDULE

<i>Sections not consolidated</i>	<i>Renumbered</i>
1 — Chapter 26 of the statutes of 1978	
16a	21.1
16c	21.3
304b	333.1
639j	851.10
693na	952.1
2 — Chapter 14 of the statutes of 1979	
697i	965.9
3 — Chapter 18 of the statutes of 1979	
217a	230.1
217c	230.3
222a	236.1
374f	463.1
405ea	517.5.1
428b	550.2
678a	915.1
678b	915.2
678c	915.3
693ze	961.8
693zm	961.16
693zn	961.17
693zp	961.19